

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 19, 2021

CAO File No. 0220-05291-1072

Council File No.

Council District: ALL

To: The Mayor
The City Council

From: Matthew W. Szabo, City Administrative Officer



Subject: **REQUEST AUTHORIZATION FOR THE ISSUANCE AND SALE OF UP TO \$200 MILLION OF MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES LEASE REVENUE BONDS, SERIES 2021-C (CAPITAL EQUIPMENT & REAL PROPERTY)**

RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor:

1. ADOPT the Authorizing Resolution, which authorizes the issuance and sale of up to \$200 million of Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) (Bonds), and various bond documents in connection with the issuance and sale of the Bonds;
2. AUTHORIZE the City Administrative Officer to receive and open bids on the published sale date and to award the Bonds to the bidder(s) with the lowest true interest cost, on behalf of the City and MICLA, as described in the Notice Inviting Bids for the Bonds;
3. ADOPT a Fund Ordinance to create a new special fund to record accounting transactions in connection with the Bonds;
4. ADOPT a Lease/Leaseback Ordinance to approve a lease and sublease between the City and MICLA of real property in connection with the Bonds;
5. INSTRUCT the Controller to create an account in the Capital Finance Administration Fund (Fund 100, Department 53) that will be used to pay for future lease payments entitled "MICLA 2021-C (Capital Equipment and Real Property);" and
6. AUTHORIZE the City Administrative Officer to make technical corrections and adjustments as necessary to those transactions included in this report to implement the Mayor and City Council intentions.

SUMMARY

The City Administrative Officer (CAO) requests authority to issue up to \$200 million of Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds, Series 2021-C (Capital Equipment & Real Property) (Bonds). The Bonds are being issued on a tax-exempt basis to refinance approximately \$195 million of outstanding MICLA Commercial Paper (CP) notes used to finance the acquisition of capital equipment and the acquisition and improvements of real property.

The CAO recommends that the Bonds be sold on a competitive sale. The Bonds will be awarded to the highest ranked responsible bidder(s), submitting the best price, which results in the lowest true interest cost to the City. The bond sale is expected to be held in mid-November 2021.

To proceed with the sale of the Bonds, the Mayor and City Council will need to approve the Authorizing Resolution (Attachment B), which incorporates the Preliminary Official Statement, which includes the form of the Continuing Disclosure Certificate and the City's disclosure statement (Appendix A), Indenture, Lease Agreement, Site Lease, Assignment Agreement, Notice Inviting Bids, Notice of Intention to Sell Bonds, Award Certificate, and Good Faith Deposit Agreement. The Mayor and City Council will also need to approve a Lease/Leaseback Ordinance and a Fund Ordinance, which will be submitted by the City Attorney under separate cover.

This report contains the financing information of the proposed bond issuance as required by Section 5852.1 of the California Government Code. By placing this report on the City Council Agenda, the City fulfills the requirement to disclose the financing information in a meeting open to the public.

FISCAL IMPACT STATEMENT

The issuance of the Bonds in an amount up to \$200 million will be an obligation of the General Fund, subject to annual appropriations in the Adopted Budget. The resulting semi-annual lease payments are scheduled to be paid on April 15 and October 15 in sufficient amounts to pay semi-annual debt service payments for the Bonds, and will be paid from funds in the Capital Finance Administration Fund (Fund 100, Department 53). The first lease payment will be made on April 15, 2022. There is no additional General Fund impact as sufficient funding is provided in the 2021-22 Adopted Budget to cover the first lease payment.

FINANCIAL POLICY COMPLIANCE

The issuance of the Bonds in an amount up to \$200 million will not cause the City's debt service payments to exceed six percent of General Fund revenues for non-voter approved debt as established in the City's Financial Policies. After the issuances of the Bonds, the projected voter approved debt ratio is 3.39 percent (see Attachment A).

DEBT IMPACT STATEMENT

Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds are a General Fund obligation. The lease payments to MICLA would be annually budgeted in the Capital Finance

Administration Fund (Fund 100, Department 53). Based on current market rates, the average annual debt service for the Bonds is \$11.5 million over 20 years, until November 1, 2041. The total debt service, including total principal and interest, over the life of the Bonds is approximately \$229 million. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. After the issuances of the Bonds, the projected voter approved debt ratio is 3.39 percent (see Attachment A).

FINDINGS

1. Background – Municipal Improvement Corporation of Los Angeles (MICLA)

MICLA is a non-profit financing corporation established by the City in 1984 to assist in the financing of capital projects and capital equipment. MICLA is directed by a five-person board whose members are self-appointed and confirmed by City Council. MICLA serves as the lessor in lease revenue transactions involving the City for the acquisition of capital equipment and the acquisition and capital improvements to real property. All MICLA financings require the approval of the MICLA Board of Directors. The MICLA Board of Directors are scheduled to consider this Bond financing on November 9, 2021.

2. Background – MICLA Commercial Paper (CP) Program

The MICLA CP program was approved and established in June 2004 as a short-term borrowing tool for temporary construction financing and real property and capital equipment acquisitions. CP notes have maturities ranging from one to 270 days. Upon maturity, the CP notes are either re-sold in the short-term market or refinanced into long-term bonds, as is being done under this proposed financing. From time to time, the Mayor and City Council have periodically approved increases to the MICLA CP Program. The current size of the MICLA CP Program is \$425 million. As of October 1, 2021 the amount of outstanding MICLA CP notes was \$309.9 million.

3. Uses of Bond Proceeds

The proposed bond issuance will be used to refinance approximately \$195 million of outstanding MICLA CP notes used to finance the acquisition of capital equipment and for the acquisition and improvements of real property. The Mayor and City Council previously authorized the capital equipment and real property projects in various Adopted Budgets, Construction Projects Reports, and other interim reports.

The costs of issuance (COI) for this transaction includes fees for bond counsel, disclosure counsel, municipal advisor, rating agencies, trustee, printing, investor outreach, and underwriters' discount, which is the compensation the underwriters receive for marketing the Bonds, and other associated costs. The total COI for this financing is estimated to be \$839,000. COI will be paid from bond proceeds.

4. Financing Team

The Municipal Advisor for this bond issuance is Public Resources Advisory Group (PRAG). The Mayor and City Council previously approved PRAG to provide municipal advisory services for the City's various bond programs (C.F. 17-1388). Nixon Peabody, L.L.P. serves as Bond Counsel and Hawkins Delafield & Wood L.L.P. serves as Disclosure Counsel. The legal counsel firms are on the City's qualified list for legal services for the City's various bond programs, previously approved by the Mayor and City Council (C.F. 12-0917).

5. Certain Financing Information for the Bonds Pursuant to Section 5852.1 of the California Government Code

The table below contains the financing information required by Section 5852.1 of the California Government Code. The amounts below are good faith estimates and subject to change as rates are dependent on market conditions at the time of issuance.

1. True interest cost of the bonds (TIC);
2. Finance charge of the bonds (Costs of Issuance);
3. Amount of proceeds received from the sale of the bonds less costs of issuance (Proceeds Amount); and
4. Total payment amount (Total Debt Service)

1) TIC	2) Costs of Issuance	3) Proceeds Amount	4) Total Debt Service
1.93%	\$839,287	\$195,703,151	\$228,998,275

6. Required Documents

To proceed with the sale of the Bonds, the Mayor and City Council will need to approve the Authorizing Resolution that, among other things, incorporates and approves the bond documents below (Attachment B). The list below provides a brief description of the bond documents.

- Preliminary Official Statement (POS) is the prospectus, which describes the proposed bond issuance and security for such bonds. The POS includes a form of the Continuing Disclosure Certificate and the City's disclosure statement, Appendix A. (Exhibit A)
- Indenture is an agreement between the City, MICLA, and the trustee for the benefit of the bondholders. The trustee administers the bond proceeds in a fiduciary capacity on behalf of the bondholders. (Exhibit B)
- Site Lease and Lease Agreement are agreements between the City and MICLA indicating that the City will lease certain real property to MICLA pursuant to the Site Lease, and subsequently MICLA will sublease back the real property and lease capital equipment to the City pursuant to the Lease Agreement in return for scheduled lease payments in sufficient amounts to pay semi-annual debt service payments for the Bonds. The real property subject

to these agreements are the 1) Harbor Community Police Station located at 2175 John South Gibson Boulevard., Los Angeles, CA 90731; 2) Hollenbeck Community Police Station located at 2111 East 1st Street, Los Angeles, CA 90033; and 3) Northeast Community Police Station located at 3353 North San Fernando Road, Los Angeles, CA 90065. The capital equipment subject to the Lease Agreement includes fire aerial ladder trucks and triple combination apparatus, a police helicopter, sedans, trucks, vans, electric vehicle charging stations, among others, that were financed by the CP proposed to be refinanced by the Bonds. (Exhibits C and D)

- Assignment Agreement is an agreement between MICLA and the trustee whereby MICLA assigns its rights under the Lease Agreement and the Site Lease, including its right to receive lease payments under the Lease Agreement, to the trustee for the benefit of the bondholders. (Exhibit E)
- Notice of Intention to Sell Bonds and Notice Inviting Bids are documents describing the procedures, terms, and conditions established by the City, for and on behalf of itself and MICLA, for a competitive sale of the Bonds. (Exhibits F and G)
- Award Certificate is the official acceptance and award by the City of a bid to purchase the Bonds by an Underwriter (bidder). (Exhibit H)
- Good Faith Deposit Agreement is an agreement with U.S. Bank National Association, as custodian, to receive and disburse (or return) the good faith deposits from bidders in connection with the competitive sale of the Bonds. (Exhibit I)

Attachments

Attachment A – Non-Voter Approved Debt Chart

Attachment B – Authorizing Resolution

Exhibit A – Preliminary Official Statement, including Appendix A and form of Continuing Disclosure Certificate

Exhibit B – Indenture

Exhibit C – Site Lease

Exhibit D – Lease Agreement

Exhibit E – Assignment Agreement

Exhibit F – Notice of Intention to Sell Bonds

Exhibit G – Notice Inviting Bids

Exhibit H – Award Certificate

Exhibit I – Good Faith Deposit Agreement

MWS:AG:09220056

Attachment A – Non-Voter Approved Debt Chart

2021-22 ADOPTED BUDGET NON VOTER-APPROVED DEBT

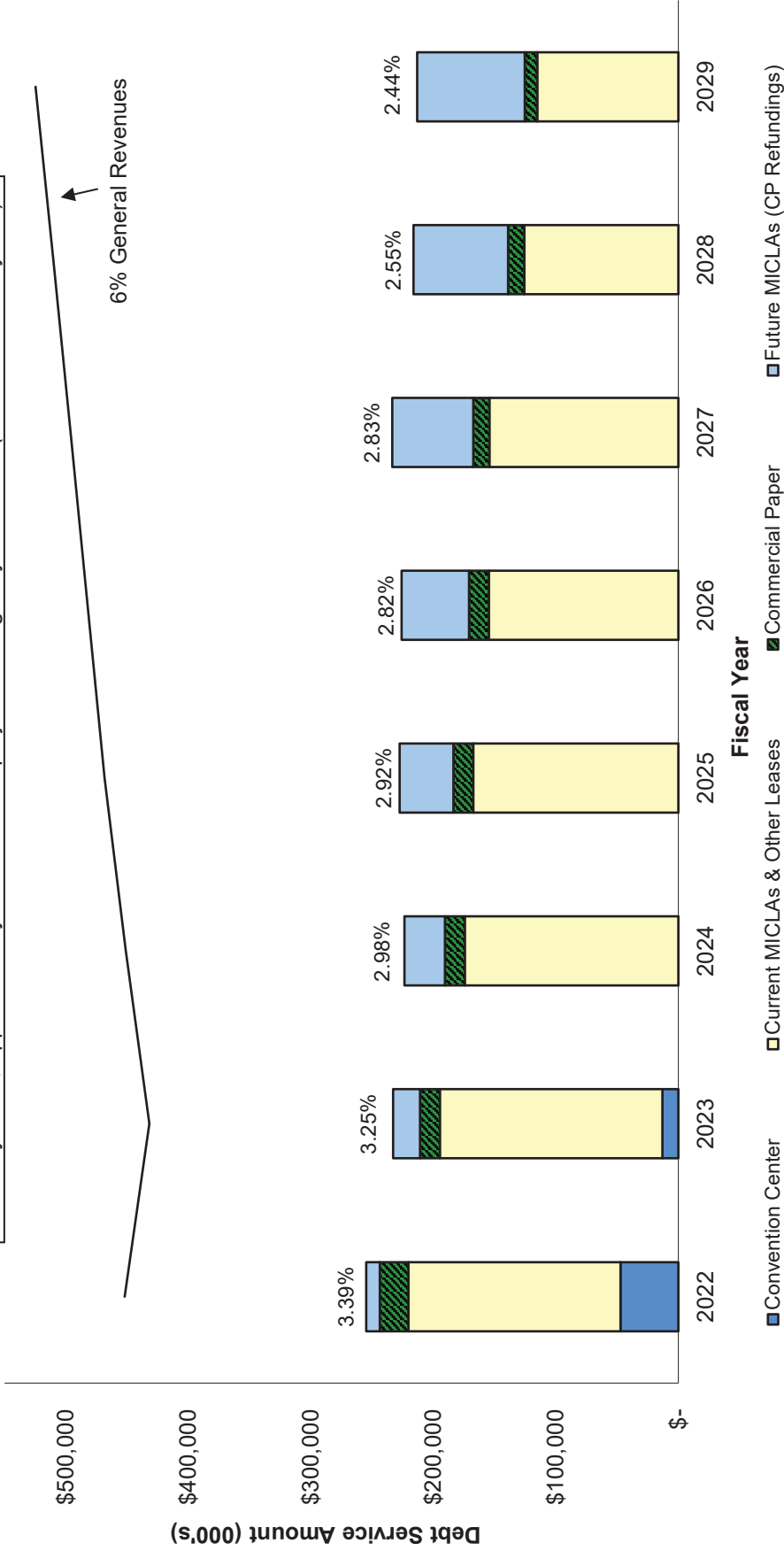
October 2021

Debt Service to General Revenues*

DEBT MANAGEMENT POLICY

Pursuant to the Debt Management Policy, the Debt Affordability Ceiling for debt service on non voter-approved debt shall be no more than 6 percent of General Revenues. The 6 percent ceiling may be exceeded only in the following situations: (1) if there is a guaranteed new revenue stream for the debt payments and the additional debt will not cause the ratio to exceed 7.5 percent or, (2) if there is not a generated revenue stream but the 6 percent ceiling will only be exceeded for one year.

For every 0.1%, approximately \$55 million in project funding may be issued (at 5.5% over 15 years).



*Projected revenue growth from Fiscal Years 2021-22 to 2025-26 is (4.4%), 4.5%, 3.5%, and 3.3%, respectively. Projected revenue growth from 2025-26 through 2028-29 is 2.9%.

Attachment B – Authorizing Resolution

RESOLUTION OF THE COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA, APPROVING THE ISSUANCE AND SALE OF NOT TO EXCEED \$200,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES LEASE REVENUE BONDS, SERIES 2021-C (CAPITAL EQUIPMENT AND REAL PROPERTY), APPROVING THE FORM AND AUTHORIZING THE PREPARATION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT, AN INDENTURE, A LEASE AGREEMENT, A SITE LEASE, AN ASSIGNMENT AGREEMENT, A NOTICE INVITING BIDS, A NOTICE OF INTENTION TO SELL BONDS AND A CONTINUING DISCLOSURE CERTIFICATE RELATING TO THE SERIES 2021-C BONDS, AUTHORIZING CERTAIN OTHER DOCUMENTS AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

WHEREAS, the City of Los Angeles, a municipal corporation and charter city organized and existing under the Constitution and laws of the State of California (the “**City**”), may enter into lease and lease-purchase agreements as lessee with any person, firm, corporation or public agency to acquire, construct, improve, finance or refinance any real or personal property or equipment necessary or useful for the municipal purposes of the City; and

WHEREAS, the Municipal Improvement Corporation of Los Angeles (the “**Corporation**”) is authorized pursuant to its articles of incorporation and bylaws to provide financial assistance to the City for any municipal purpose by acquiring, constructing, improving, financing or refinancing, any real or personal property or equipment and leasing such real or personal property or equipment for the use, benefit and enjoyment of the public; and

WHEREAS, the Corporation is authorized under its articles of incorporation and bylaws and under the laws of the State of California to issue its bonds, notes or other evidence of indebtedness; and

WHEREAS, the City desires that the Corporation issue its Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) (the “**Series 2021-C Bonds**”) to refinance a portion of the outstanding commercial paper issued by the Corporation to finance and refinance various capital equipment and the acquisition, construction and improvement of certain real property; and

WHEREAS, in connection with the issuance of the Series 2021-C Bonds, the City will first lease to the Corporation certain real property and improvements owned by the City (collectively, the “**Real Property**”), pursuant to a Site Lease (the “**Site Lease**”), by and between the City, as lessor, and the Corporation, as lessee; and

WHEREAS, the City will then sublease the Real Property back from the Corporation and lease certain equipment from the Corporation (the “**Equipment**,” and, together with the Real Property, the “**Property**”) pursuant to a Lease Agreement (the “**Lease Agreement**”), by and between the Corporation, as lessor, and the City, as lessee; and

WHEREAS, the Corporation will pledge the Basic Lease Payments received from the City under the Lease Agreement to U.S. Bank National Association, as trustee (the “**Trustee**”) under the Indenture (the “**Indenture**”), by and among the Corporation, the City and the Trustee for the benefit of the owners of the Series 2021-C Bonds; and

WHEREAS, the Corporation will assign certain of its rights under the Lease Agreement and the Site Lease to the Trustee for the benefit of the owners of the Series 2021-C Bonds pursuant to an Assignment Agreement (the “**Assignment Agreement**”), by and between the Corporation, as assignor, and the Trustee, as assignee; and

WHEREAS, the City proposes to sell the Series 2021-C Bonds pursuant to a competitive bidding process for and on behalf of itself and the Corporation; and

WHEREAS, a form of the Notice of Intention to Sell Bonds to be published in connection with the competitive sale of the Series 2021-C Bonds has been prepared (the “**Notice of Intention to Sell Bonds**”); and

WHEREAS, a form of the Notice Inviting Bids to be distributed in connection with the competitive sale of the Series 2021-C Bonds has been prepared (the “**Notice Inviting Bids**”); and

WHEREAS, the City will distribute a preliminary official statement (the “**Preliminary Official Statement**”) and a final official statement (the “**Official Statement**”) relating to the Series 2021-C Bonds to prospective and actual purchasers of the Series 2021-C Bonds; and

WHEREAS, the City will execute and deliver a continuing disclosure certificate (the “**Continuing Disclosure Certificate**”) for the benefit of the Owners (as defined in the Indenture) of the Series 2021-C Bonds; and

WHEREAS, the City Administrative Officer has determined that the proposed issuance of the Series 2021-C Bonds complies with the Financial Policies for the City of Los Angeles - Debt Management Policy, including the Municipal Improvement Corporation of Los Angeles lease obligation provisions contained therein; and

WHEREAS, all acts, conditions and things required by the Constitution, laws of the State of California and the Charter of the City to exist, to have happened and to have been performed precedent to the adoption of this Resolution and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner (or, as applicable, will happen and be performed in regular due time, form and manner) as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LOS ANGELES, as follows:

Section 1. The City, on behalf of itself and the Corporation, hereby confirms and agrees that the Series 2021-C Bonds will be issued and delivered through a competitive offering in an original aggregate principal amount not to exceed \$200,000,000; provided that: (i) the interest rates on the Series 2021-C Bonds shall not exceed the maximum legal rate; and (ii) the final maturity of the Series 2021-C Bonds shall not exceed 21 years from their date of issuance. The Series 2021-C Bonds will be payable under the terms of the Indenture primarily from amounts paid by the City pursuant to the Lease Agreement.

Section 2. The Preliminary Official Statement relating to the Series 2021-C Bonds, copies of which are before this Council and on file in the Office of the City Administrative Officer, is hereby approved. The City Administrative Officer, any Assistant City Administrative Officer or any of their designees (each, an “**Authorized Representative**”) are each hereby authorized and directed to cause the distribution of a Preliminary Official Statement with such updates, changes and additions thereto as an Authorized Representative shall determine is necessary or desirable or otherwise approve, in consultation with the City Attorney or any Deputy or Assistant City Attorney (each, the “**City Attorney**”), to persons who may be interested in purchasing the Series 2021-C Bonds. Upon approval of such updates, additions and changes by an Authorized Representative, the Preliminary Official Statement shall be deemed final as of its date by an Authorized Representative, as evidenced by a certificate to such effect, except for the omission of certain information as provided in and pursuant to Rule 15c2-12. Each Authorized Representative, for and on behalf of the City and the Corporation, is hereby authorized to cause the preparation of and execute the Official Statement, in substantially the form of the Preliminary Official Statement, with such updates, additions and changes therein as he or she, with the advice of the City Attorney, may require or approve, such approval to be conclusively evidenced by execution and delivery thereof. The best bidder is hereby authorized to use and distribute the Preliminary Official Statement and the Official Statement in connection with the offering and sale of the Series 2021-C Bonds.

Section 3. The Notice Inviting Bids for the Series 2021-C Bonds, the form of which is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. Each Authorized Representative, acting alone, is hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver the Notice Inviting Bids, which shall be in substantially the form presented to this meeting, with such additions and changes therein, as such Authorized Representative shall determine is necessary or desirable or otherwise approve as being in the best interests of the City, in consultation with the City Attorney, such determination and approval to be conclusively evidenced by such Authorized Representative’s execution and delivery of the Notice Inviting Bids.

Each Authorized Representative, acting alone, is hereby authorized and directed on behalf of the City to accept the best bid for the Series 2021-C Bonds received pursuant to and subject to the terms and conditions set forth in the Notice Inviting Bids and to award the Series 2021-C Bonds to said best bidder (or reject all bids) and to take such other actions as the City Administrative Officer deems appropriate, consistent with the provisions hereof. In the

Certificate of the City Administrative Officer Awarding the Series 2021-C Bonds to the best bidder for the Series 2021-C Bonds (the “*Award Certificate*”), the form of which is approved and before this Council and on file in the Office of the City Administrative Officer, the City Administrative Officer, for and on behalf of the City and the Corporation, shall: (i) determine that the issuance of the Series 2021-C Bonds is in the interest of the City; (ii) set forth the terms, including dates, maturities, principal amounts, interest rates and redemption provisions of the Series 2021-C Bonds and (iii) state the designated costs of issuing the Series 2021-C Bonds. Pursuant to the requirements of Section 371(d) of the City Charter of the City, the City is hereby authorized to cause the Notice Inviting Bids to be published at least once in the *Metropolitan News-Enterprise*, or in such other daily newspaper circulated in the City as the Authorized Representative shall deem appropriate, with such additions and changes therein as an Authorized Representative may approve, in consultation with the City Attorney, such approval to be conclusively evidenced by such publication of the Notice Inviting Bids, as described above, with such additions and changes. The terms and conditions of the offering and sale of the Series 2021-C Bonds by the City, for and on behalf of itself and the Corporation, shall be specified in the Notice Inviting Bids for Series 2021-C Bonds.

Section 4. The Notice of Intention to Sell Bonds, the form of which is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. Each Authorized Representative, acting alone, is hereby authorized and directed, for and in the name of and on behalf of the City, to deliver the Notice of Intention to Sell Bonds, which shall be in substantially the form presented to this meeting, with such additions and changes therein, as such Authorized Representative shall determine is necessary or desirable or otherwise approve as being in the best interests of the City, in consultation with the City Attorney, such approval to be conclusively evidenced by such Authorized Representative’s delivery of the Notice of Intention to Sell Bonds. Pursuant to Section 53692 of the Government Code, the Council hereby authorizes publication (and ratifies publication if publication has occurred) of the Notice of Intention to Sell Bonds once in *The Bond Buyer* at least five days prior to the date fixed for the receipt of proposals, with such additions and changes therein as the City Administrative Officer may approve, such approval to be conclusively evidenced by such publication of the Notice of Intention to Sell Bonds.

Section 5. The Series 2021-C Bonds shall be issued pursuant to the Indenture, the form of which is before this Council and on file in the Office of the City Administrative Officer. The terms of said Indenture are hereby approved. Each Authorized Representative, acting alone, is hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver the Indenture, which shall be in substantially the form presented to this meeting, with such additions and changes therein, including the addition of a reserve fund if desirable and additional covenants and agreements of the City as may be required to obtain bond insurance, as such Authorized Representative shall determine is necessary or desirable or otherwise approve as being in the best interests of the City, and in consultation with the City Attorney, such determination and approval of the Authorized Representative to be conclusively evidenced by such Authorized Representative’s execution and delivery of the Indenture.

Section 6. Each Authorized Representative is hereby authorized and directed to select a bank or trust company to serve as the trustee under the Indenture, on such terms as such

Authorized Representative shall approve as being in the best interest of the City and the City Administrative Officer has selected U.S. Bank National Association to act as the initial trustee under the Indenture.

Section 7. The Site Lease, pursuant to which the City will lease the Real Property to the Corporation, the form of which is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. Each Authorized Representative, acting alone, is hereby authorized and directed, for and in the name of and on behalf of the City, to execute, acknowledge and deliver the Site Lease, which shall be in substantially the form presented to this meeting, with such additions and changes therein, including additional covenants and agreements of the City as may be required to obtain bond insurance, as such Authorized Representative shall determine is necessary or desirable or otherwise approve as being in the best interests of the City, in consultation with the City Attorney, such determination and approval of the Authorized Representative to be conclusively evidenced by such Authorized Representative's execution and delivery of the Site Lease.

Section 8. The Lease Agreement, pursuant to which the Corporation will sublease the Real Property and lease the Equipment to the City, the form of which is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. Each Authorized Representative, acting alone, is hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver the Lease Agreement, which shall be in substantially the form presented to this meeting, with such additions and changes therein, including additional covenants and agreements of the City as may be required to obtain bond insurance, as such Authorized Representative shall determine is necessary or desirable or otherwise approve as being in the best interests of the City, in consultation with the City Attorney, such determination and approval of the Authorized Representative to be conclusively evidenced by such Authorized Representative's execution and delivery of the Lease Agreement.

Section 9. The Assignment Agreement, pursuant to which the Corporation will assign certain of its rights under the Site Lease and the Lease Agreement to the Trustee for the benefit of the owners of the Series 2021-C Bonds, a form of which is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. Each Authorized Representative is hereby authorized and directed, for and in the name of and on behalf of the City, to take such steps as are necessary to have the Corporation execute and deliver the Assignment Agreement, with such additions, deletions and changes therein, including additional covenants and agreements of the City as may be required to obtain bond insurance, as such Authorized Representative shall determine is necessary or desirable or otherwise approve as being in the best interests of the City, in consultation with the City Attorney, such determination and approval of the Authorized Representative to be conclusively evidenced by the Corporation's execution and delivery of the Assignment Agreement.

Section 10. The Continuing Disclosure Certificate for the Series 2021-C Bonds in compliance with Rule 15c2-12, the form of which is attached to the Preliminary Official Statement as Appendix E and is before this Council and on file in the Office of the City Administrative Officer, is hereby approved. Each Authorized Representative, acting alone, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and

deliver the Continuing Disclosure Certificate, which shall be in substantially the form presented to this meeting, with such insertions and changes therein as such Authorized Representative shall determine is necessary or desirable or otherwise approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 11. Each Authorized Representative is hereby authorized and directed for and on behalf of the City and the Corporation to (i) fix the actual principal amounts of the Series 2021-C Bonds to be issued within the limits set forth in this Resolution; (ii) cause the documents approved by this Resolution and the Series 2021-C Bonds to be executed and delivered within the limits set forth in this Resolution; and (iii) execute and deliver any financial guaranty, bond insurance or reimbursement agreement with a provider of a guarantee of payment of the principal or interest on the Series 2021-C Bonds or with any provider of a surety bond covering all or a portion of the reserve funds (if any) for the Series 2021-C Bonds, all upon such terms as shall be satisfactory to such Authorized Representative.

Section 12. Each Authorized Representative, acting alone, is hereby authorized and directed for and on behalf of the City to execute and deliver any and all documents or certificates, and to take or cause to be taken any and all actions necessary, appropriate or desirable to carry out the transactions contemplated by this Resolution, all upon such terms as shall be satisfactory to such Authorized Representative including, without limitation, prepaying all or a portion of any other prior obligations of the Corporation, entering into additional lease agreements, recordation of memoranda concerning the Site Lease, the Lease Agreement and the Assignment Agreement, title instructions, good faith deposit agreement, and tax certificate.

Section 13. All of the agreements contemplated by this Resolution may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Facsimile signatures or signatures scanned into a portable document format (.pdf file) (or signatures in another electronic format designated by the City) and sent by e-mail shall be deemed original signatures, unless stated otherwise in the agreement.

Section 14. This Resolution shall take effect from and upon its adoption.

**Exhibit A –
Preliminary Official Statement, including
Appendix A and form of Continuing
Disclosure Certificate**

NEW ISSUES – FULL BOOK-ENTRY-ONLY



[Kroll: “ ”]

[S&P: “ ”]

See “RATINGS” herein.

In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Corporation and the City described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (the “State”) under present State law. See “TAX MATTERS” herein regarding certain other tax considerations.



MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
\$[Par Amount]*
LEASE REVENUE BONDS, SERIES 2021-C
(CAPITAL EQUIPMENT AND
REAL PROPERTY)

Dated: Date of Delivery

Due: As shown on the inside cover

The Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) (the “Bonds”) will be issued pursuant to the Indenture, dated as of December 1, 2021 (the “Indenture”), by and among the Municipal Improvement Corporation of Los Angeles (the “Corporation”), the City of Los Angeles, California (the “City”), and U.S. Bank National Association, as trustee thereunder (the “Trustee”).

The Bonds are being issued to (i) retire certain outstanding maturities of commercial paper issued by the Corporation, the proceeds of which were used to finance and refinance the acquisition of certain items of capital equipment of the City and the acquisition and improvement of certain real property of the City, and (ii) pay the costs of issuance of the Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”). The Bonds will be available in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Interest on the Bonds will be payable on May 1 and November 1 of each year, commencing [November 1, 2022]. The Trustee will make payments of the principal of and interest on the Bonds directly to DTC, or its nominee. Disbursement of such payments to the Beneficial Owners of the Bonds is the responsibility of DTC’s Participants and Indirect Participants. See APPENDIX D – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

The Bonds are payable from the Revenues pledged thereto under the Indenture. The Revenues for the Bonds primarily consist of the Basic Lease Payments to be made by the City to the Corporation under the Lease Agreement, dated as of December 1, 2021 (the “Lease Agreement”), by and between the Corporation and the City. Pursuant to the Lease Agreement, the City will lease the capital equipment and real property therein described from the Corporation. The City is required under the Lease Agreement to make rental payments from any source of available funds in an amount sufficient to pay the principal of and interest on the Bonds, which rental payments are subject to abatement. The Bonds are secured solely by and payable solely from the Basic Lease Payments to be made by the City under the Lease Agreement, and the funds and accounts pledged thereto under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “RISK FACTORS” herein.

The Bonds are subject to redemption prior to their stated maturity as described herein. See “THE BONDS – Redemption” herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION AND ARE PAYABLE SOLELY FROM THE REVENUES AND AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE (OTHER THAN AMOUNTS ON DEPOSIT IN THE REBATE FUND). THE BONDS

* Preliminary, subject to change.

DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE CITY OR OF THE STATE OF CALIFORNIA (THE "STATE") AND NEITHER THE FAITH AND CREDIT OF THE CITY OR OF THE STATE ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON SUCH BONDS. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE BASIC LEASE PAYMENTS OR ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover contains information for general reference only. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

BIDS FOR THE PURCHASE OF THE BONDS WILL BE RECEIVED BY THE CITY
UNTIL [9:00] A.M., CALIFORNIA TIME, ON NOVEMBER [17], 2021
UNLESS POSTPONED OR CANCELLED AS SET FORTH IN
THE NOTICE INVITING BIDS DATED [NOVEMBER [8], 2021]

Issuance of the Bonds is subject to the final approving legal opinion of Nixon Peabody LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the City by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel. Certain additional legal matters will be passed upon for the City and the Corporation by Michael N. Feuer, City Attorney. Public Resources Advisory Group is serving as Municipal Advisor to the City. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in book-entry form on or about December __, 2021.

Dated: November __, 2021

MATURITY SCHEDULE
MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES

\$[Par Amount]*
LEASE REVENUE BONDS, SERIES 2021-C
(CAPITAL EQUIPMENT AND REAL PROPERTY)

<u>Maturity Date</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>(544587)</u>	<u>Maturity Date</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP†</u> <u>(544587)</u>
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\$ _____ % Term Bonds due November 1, 20 __, Price ____, Yield ____%

* Preliminary, subject to change.

CITY OF LOS ANGELES, CALIFORNIA

Mayor
Eric Garcetti

Gilbert Cedillo, <i>District 1</i>	Nury Martinez, <i>District 6</i>	Mike Bonin, <i>District 11</i>
Paul Krekorian, <i>District 2</i>	Monica Rodriguez, <i>District 7</i>	John Lee, <i>District 12</i>
Bob Blumenfield, <i>District 3</i>	Marqueece Harris-Dawson, <i>District 8</i>	Mitch O'Farrell, <i>District 13</i>
Nithya Raman, <i>District 4</i>	Curren D. Price, Jr., <i>District 9</i>	Kevin de Leon, <i>District 14</i>
Paul Koretz, <i>District 5</i>	Mark Ridley-Thomas, <i>District 10</i>	Joe Buscaino, <i>District 15</i>

OFFICIALS OF THE CITY OF LOS ANGELES

Michael N. Feuer, *City Attorney*
Ron Galperin, *City Controller*
Matthew W. Szabo, *City Administrative Officer*
Holly L. Wolcott, *City Clerk*
Diana Mangioglu, *Director of Finance / City Treasurer*

City Department Issuing Debt
Office of the City Administrative Officer
Debt Management Group

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES

Board of Directors
Lily Y. Lee, *President*,
Faye Washington, *Vice President*,
Andrea B. Ambriz, *Secretary*,
William T. Fujioka, *Treasurer*,
Paul M. Smith, *Member*

PROFESSIONAL SERVICES

Bond Counsel
Nixon Peabody LLP
Los Angeles, California

Disclosure Counsel
Hawkins Delafield & Wood LLP
Los Angeles, California

Municipal Advisor
Public Resources Advisory Group
Los Angeles, California

Appendix A Advisor
KNN Public Finance
Berkeley, California

Trustee
U.S. Bank National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Corporation or the City to give any information or to make any representations other than those contained herein, and if given or made, such other information or representation must not be relied upon as having been authorized by the Corporation or the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information in APPENDIX D – “DTC AND THE BOOK-ENTRY-ONLY SYSTEM” has been furnished by The Depository Trust Company and no representation has been made by the Corporation or the City or the Underwriters as to the accuracy or completeness of such information.

The information set forth herein has been obtained from the Corporation and the City and other sources which are believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the City since the date thereof. This Official Statement is submitted with respect to the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Corporation and the City. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in the Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Neither the Corporation nor the City is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access website. A wide variety of other information, including financial information, concerning the City, is available from publications and websites of the City, the County of Los Angeles and others. No such information is a part of or incorporated into this Official Statement, except as expressly noted herein.

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OFFICIAL STATEMENT

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES \$[Par Amount]* LEASE REVENUE BONDS, SERIES 2021-C (CAPITAL EQUIPMENT AND REAL PROPERTY)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto (the “Official Statement”), is provided for the purpose of setting forth information concerning the issuance by the Municipal Improvement Corporation of Los Angeles (the “Corporation”) of its \$[Par Amount]* Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) (the “Bonds”). Capitalized terms not otherwise defined herein have the meanings given in the Indenture, and if not set forth therein, in the Lease Agreement, or in APPENDIX B – “SUMMARY OF LEGAL DOCUMENTS.” This introduction is not intended to be a complete statement of the terms and provisions of the Bonds and is qualified by the more detailed information contained elsewhere in this Official Statement.

Authority and Purpose for Issuance

The Bonds are authorized under the Articles of Incorporation of the Corporation and the laws of the State of California (the “State”). The Bonds are being issued pursuant to the Indenture, dated as of December 1, 2021 (the “Indenture”), by and among the Corporation, the City of Los Angeles, California (the “City”) and U.S. Bank National Association, as trustee thereunder (the “Trustee”). The Bonds are being issued to (i) retire certain outstanding maturities of commercial paper issued by the Corporation, the proceeds of which were used to finance and refinance the acquisition of certain items of capital equipment of the City and the acquisition and improvement of certain real property of the City, and (ii) pay the costs of issuance of the Bonds. See “PLAN OF FINANCE.”

Lease Agreement

The City will lease certain real property, including the land, buildings and other improvements thereon, as further described herein (the “Real Property”), to the Corporation pursuant to a Site Lease, dated as of December 1, 2021 (the “Site Lease”), between the City and the Corporation. Pursuant to a Lease Agreement, dated as of December 1, 2021 (the “Lease Agreement”), the Corporation will sublease the Real Property to the City and lease to the City certain items of capital equipment, as further described herein (the “Capital Equipment” and together with the Real Property, the “Property”).

Under the Lease Agreement, the City has agreed to pay to the Corporation, its successors and assigns, as rental for the use and occupancy or possession of the Property, the basic lease payments specified in the Lease Agreement, including any prepayments thereunder (collectively, the “Basic Lease Payments”). Pursuant to the Lease Agreement, the City also agrees to pay “Additional Payments” consisting of (i) with respect to the Property, all taxes, fees or assessments levied upon a) the City with respect to ownership, leasing, subleasing, rental, sale, purchase, possession or use of the Capital Equipment; or b) the Real Property or upon any interest therein of the Corporation or the Trustee; (ii) insurance premiums, if any, on insurance required under the Lease Agreement; (iii) all fees and expenses of the Trustee, and expenses of the City required to comply with the Lease Agreement and the Indenture; (iv) any other fees, costs or expenses incurred by the Corporation in connection with the execution, performance or enforcement of the Lease Agreement or the Indenture, including any amounts necessary to indemnify and defend the Corporation; and (v) any amounts required to be paid to the United States government pursuant to

* Preliminary, subject to change.

section 148 of the Internal Revenue Code of 1986, as amended (the “Code”). The Basic Lease Payments and Additional Payments, collectively, constitute the “Lease Payments.”

Pursuant to the Lease Agreement, the City may add, substitute or release all or a portion of the Property for other property of annual fair rental value such that the aggregate annual fair rental value of the Property after such addition, substitution or release equals or exceeds the highest annual Basic Lease Payments due in any remaining Rental Period. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Addition, Substitution and Release of the Property” herein.

The Lease Agreement provides that if there is a default by the City under the Lease Agreement, the Trustee may terminate the Lease Agreement and re-lease all or any portion of the Property or bring litigation to recover Basic Lease Payments payable at the same time and in the same manner as provided for the payment of Basic Lease Payments described therein. See APPENDIX B – “SUMMARY OF LEGAL DOCUMENTS” and “RISK FACTORS – Limitations on Default Remedies” herein.

Security and Sources of Payment for the Bonds

Pledge of Revenues and Basic Lease Payments. The Bonds are payable from the Revenues pledged thereto under the Indenture. The Revenues for the Bonds primarily consist of the Basic Lease Payments to be made by the City to the Corporation under the Lease Agreement and the interest or profits from the investment of money in any fund, account or subaccount held for the related Series of Bonds under the Indenture (other than the Rebate Fund).

The Basic Lease Payments in an amount sufficient to pay the principal of and interest on the Bonds secured thereby will be transferred to the Trustee on each lease payment date (the “Lease Payment Date”), being the fifteenth day of April and October in each year during the Term of the Lease Agreement, commencing on [October 15, 2022], except that if the Principal Corporate Trust Office of the Trustee is not open for business on any such date, then that Lease Payment Date shall be the next day on which such office is open for business.

The Bonds are not secured by, and no Owners of any Bonds will have any security interest in or mortgage on, the Real Property.

Pursuant to the Assignment Agreement, dated as of December 1, 2021 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee for the benefit of the respective Owners of the Bonds all of the Corporation’s right, title and interest in and to the Site Lease and the Lease Agreement, including without limitation the Corporation’s right to receive Basic Lease Payments.

Annual Appropriation Covenant; Remedies for Failing to appropriate. Under the Lease Agreement, the City covenants to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in its annual budgets and to make the necessary annual appropriations for all such Lease Payments. The Lease Agreement provides that the covenants of the City shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements in the Lease Agreement. If the City defaults on its covenants in the Lease Agreement, including the covenant to include all Lease Payments payable thereunder in the annual budgets, the Trustee may exercise any remedies available pursuant to law or the Lease Agreement, including re-leasing the Property leased thereunder and/or terminating the Lease Agreement; provided, however, that the Lease Payments cannot be accelerated. See “RISK FACTORS – Limitations on Default Remedies” herein.

COVID-19

The pandemic caused by the novel coronavirus COVID-19 (“COVID-19”) has had tremendous economic and social impacts on the City of Los Angeles (the “City”). The State, the County of Los Angeles (the “County”) and the City have taken various actions designed to mitigate the spread of COVID-19. Since March 2020, residents of the City have been subject to various orders and directives that suspended, reduced or prohibited various activities. Measures to combat the pandemic have been revised from time to time, becoming more or less restricting to reflect the then-current status of infections, hospitalizations and other factors. While several vaccines against COVID-19 have been approved and are being administered, the pandemic is ongoing. Although there are various indications of economic recovery, with new variants of the disease, and their duration and severity unknown, the ultimate economic effects remain uncertain.

The COVID-19 pandemic has materially adversely disrupted the national, regional and local economies, including the global supply chain; reductions in tourism, business travel, and travel-related industries; widespread business closures; and significantly higher levels of unemployment, all resulting in corresponding decreases in taxes and revenues.

For Fiscal Year 2020-21, receipts from the American Rescue Plan Act (“ARPA”) and other federal funds allowed the City to balance its operations despite continuing revenue losses. The City’s Fiscal Year 2021-22 Budget is balanced, with a Reserve Fund balance of \$647 million or 8.6 percent of General Fund revenues. The City’s Fiscal Year 2021-22 Budget assumed the receipt of federal funds (including the second allocation of \$639.5 million of ARPA funds) and varying degrees of revenue recovery (depending on the underlying economic drivers that would constrain or boost growth). If vaccination efforts stall or if variants become pervasive or prove to be vaccine resistant, there is risk of new outbreaks prompting renewed restrictions and closures.

Although the nature and extent of the COVID-19 pandemic continues to evolve, the increasing size of the vaccinated population and declining infection rates have resulted in economic recovery that is expected to restore and increase certain City revenues. This recovery, combined with additional ARPA funding, has allowed the City to restore most of the funding reductions undertaken during the pandemic, and finance certain new and increased services, including services to the City’s homeless population, COVID-19 vaccinations and other emergency responses, and increases in capital spending. Nevertheless, various risks remain, including the possibility of increased infection levels, additional restrictive safety protocols (including business closures), slower than expected economic recovery and future budgetary imbalance resulting from the use of one-time revenues for ongoing expenditures during 2021-22. See “BUDGET AND FINANCIAL OPERATIONS – Fiscal Year 2020-21,” “– Fiscal Year 2020-21 Budget” and “– General Fund Budget Outlook.”

The actual impact of COVID-19 on the City, its economy and its finances will depend on future events, including future events outside of the control of the City, and actions by the federal government and the State. The City cannot predict the extent or duration of the COVID-19 pandemic or additional adverse impact it may have on the City’s financial condition or operations. Any financial information, including projections, forecasts and budgets presented herein do not account for all of the potential effects of COVID-19 unless specifically referenced. See “RISK FACTORS – Impacts and Potential Impacts of COVID-19 on the City” herein.

Further Information

For important information regarding the budget and financial operations of the City, see the section captioned “BUDGET AND FINANCIAL OPERATIONS” in APPENDIX A – “CITY OF LOS ANGELES INFORMATION STATEMENT.” Certain other demographic, financial and other information with respect to or affecting the City is contained elsewhere in APPENDIX A – “CITY OF LOS ANGELES

INFORMATION STATEMENT” and in the City’s Comprehensive Annual Financial Report For The Year Ended June 30, 2020 and Independent Auditor’s Report, which are incorporated by reference therein.

Brief descriptions of the Bonds, the Indenture, the Lease Agreement, the Site Lease, the Assignment Agreement and other documents and information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to the forms thereof. See APPENDIX B – “SUMMARY OF LEGAL DOCUMENTS” for further information regarding the City’s obligations under the Lease Agreement. See “RISK FACTORS” herein for certain factors that may affect the payment of and security for the Bonds.

THE BONDS

General Terms

The Bonds will be dated the date of their delivery and will bear interest at the rates per annum and mature in the amounts and on the dates shown on the inside cover page of this Official Statement. The Bonds will be delivered in registered form, initially registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). See APPENDIX D – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.” Interest on the Bonds will be payable semiannually on May 1 and November 1 of each year, commencing [November 1, 2022] (each, an “Interest Payment Date”). So long as DTC, or its nominee, Cede & Co., is the registered owner of the Bonds, all payments on the Bonds and any notice with respect to any Bond will be sent directly to DTC, and disbursement of such payments and delivery of such notices to the Beneficial Owners will be the responsibility of the DTC Participants as more fully described herein.

Payment of interest on the Bonds shall be made to the person in whose name such Bonds are registered, as of the record date (being the fifteenth day of the month immediately preceding an Interest Payment Date, whether or not such day is a Business Day) (the “Record Date”) immediately preceding the applicable Interest Payment Date, on the registration books kept by the Trustee pursuant to the Indenture. Principal of the Bonds is payable upon surrender thereof at the corporate trust offices of the Trustee in Los Angeles, California. If the date for making any payment under the Indenture is not a Business Day, such payment, with no interest accruing for the period from and after such nominal date, may be made on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefore in the Indenture.

Redemption

Optional Redemption of Bonds * The Bonds maturing on or before November 1, 2031 are not subject to optional redemption prior to their stated maturity dates. The Bonds maturing on or after November 1, 2032 are subject to redemption, in whole or in part, of such maturities as designated by the City, on any date on or after November 1, 2031, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. * The Bonds maturing on [November 1, 20__] are subject to mandatory redemption prior to their stated maturity, in part, from sinking account payments deposited in the Bonds Redemption Account, on each November 1, commencing [November 1, 20__], at the principal amount thereof and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:]

* Preliminary, subject to change.

**Year
(November 1)**

**Principal
Amount**

†

† Maturity

Extraordinary Mandatory Redemption. The Bonds are subject to redemption prior to their respective maturity dates, in denominations of \$5,000 and any integral multiple thereof (the “Authorized Denominations”), upon notice as hereinafter described, on any date, in whole or in part, from Net Proceeds of any policy of insurance (other than workers’ compensation insurance required under the Lease Agreement), title insurance or condemnation award received by the Trustee arising from the damage, destruction, taking or other loss of or to the Property leased under the Lease Agreement, in accordance with the provisions of the Indenture and the Lease Agreement, at a redemption price equal to the principal amount thereof together with accrued interest to the date of redemption, without premium. The redemption date shall be a date, selected by the City on behalf of the Corporation, no later than 75 days after receipt of the Written Request of the City delivered to the Trustee pursuant to the Indenture. Notwithstanding the foregoing, the Net Proceeds arising from the damage, destruction, taking or other loss of or to the Property may be invested in a yield restricted account pursuant to the applicable Tax Certificate and applied to the pro rata payment of principal of the Bonds, or such other selection of Bonds approved in an Opinion of Counsel, so long as the Bonds are Outstanding.

If less than all Outstanding Bonds are to be redeemed as described in the preceding paragraph, the Trustee shall use the net insurance proceeds or condemnation awards attributable to the portion of the Property destroyed, damaged, stolen or taken, to redeem such Bonds, as applicable, as directed in writing by the City. Subject to the foregoing, if less than all Outstanding Bonds maturing by their terms on any one date are to be so redeemed at any one time, Bonds of such Series and maturity date to be redeemed shall be selected in the manner described under the caption “– Selection for Redemption” below.

Selection for Redemption. Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the City thereof to the extent Bonds are no longer held in book-entry form.

Notice of Redemption. Notice of redemption shall be mailed by the Trustee, not less than 20 nor more than 60 days prior to the redemption date, to (i) the respective Owners of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee by first class mail; (ii) the Securities Depositories (if any); and (iii) the Municipal Securities Rulemaking Board (the “MSRB”). Each notice of redemption shall state the date of such notice, the redemption price, the name and appropriate address of the Trustee, the CUSIP number (if any) of the maturity or maturities within a Series, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal amount thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. The notice of redemption for any optional redemption pursuant to the provisions of the Indenture shall contain a statement to the effect that redemption of the Bonds is conditioned upon the receipt by the Trustee of amounts equal to the redemption price of the Bonds to be redeemed on or before the redemption date, and such optional redemption shall be so conditioned. The

Trustee may provide notices under the Indenture to the Securities Depositories and the MSRB electronically.

If notice of redemption has been duly given as described in the preceding paragraph and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice such Bonds shall become due and payable, and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Failure by the Trustee to give notice pursuant to the redemption provisions of the Indenture to any one or more of the Securities Depositories, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption. Failure to receive a notice of redemption or any defect in such notice shall not affect the sufficiency or validity of the proceedings for redemption.

Additional Bonds

The Indenture provides that the Corporation may, at any time, issue Additional Bonds, without the consent of the Owners of any Bonds, payable from the Revenues as provided in the Indenture and secured by a pledge of the Revenues as provided therein equal to the pledge securing the Outstanding Bonds theretofore issued pursuant to the Indenture, but only subject to certain terms and conditions set forth in the Indenture and which are made conditions precedent to the issuance of any such Additional Bonds. The Indenture sets forth the conditions to, and the procedures for, the issuance of Additional Bonds. See APPENDIX B – “SUMMARY OF LEGAL DOCUMENTS – THE INDENTURE – Issuance of Additional Bonds.” See also “RISK FACTORS – No Limitation on Incurring Additional Obligations” herein.

DTC and the Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be registered in the name of Cede & Co. (DTC’s partnership nominee), and will be available to ultimate purchasers in Authorized Denominations under the book-entry system maintained by DTC. Ultimate purchasers of the Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners of the Bonds shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC’s Participants are the responsibility of DTC and disbursements of such payments to the Beneficial Owners are the responsibility of DTC’s Participants and Indirect Participants. See APPENDIX D – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

PLAN OF FINANCE

The Bonds are being issued to (i) retire certain outstanding maturities of commercial paper issued by the Corporation, the proceeds of which were used to finance and refinance the acquisition of certain items of capital equipment of the City and the acquisition and improvement of certain real property of the City, and (ii) pay the costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

ESTIMATED SOURCES AND USES OF FUNDS

The funds to be received from the sale of the Bonds and the proposed uses of the Bond proceeds and such other funds are expected to be in the amounts shown below.

Sources of Funds

Principal Amount of Bonds	\$
Original Issue Premium	
Total Sources	<u>\$</u>

Uses of Funds

Repay Commercial Paper	\$
Costs of Issuance ⁽¹⁾	
Underwriters' Discount	
Total Uses	<u>\$</u>

⁽¹⁾ Includes fees for Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Trustee, the rating agencies, title insurance and other costs associated with the issuance of the Bonds.

DEBT SERVICE SCHEDULE

The Lease Agreement requires the City to make the Basic Lease Payments on each April 15 and October 15, commencing on [October 15, 2022], as rental for the use, occupancy and/or possession of the Property during the Term of the Lease Agreement. The Indenture requires that the Basic Lease Payments received under the Lease Agreement be deposited in the Bond Fund maintained by the Trustee. Pursuant to the Indenture, on May 1 and November 1 of each year, the Trustee will apply such amounts in the Bond Fund as are necessary to make principal and interest payments on the Bonds as they become due and payable. The table on the following page sets forth the scheduled principal and interest payments on the Bonds, which correspond to the Basic Lease Payments to be paid in each period by the City under the Lease Agreement.

THE OBLIGATIONS OF THE CITY TO MAKE BASIC LEASE PAYMENTS OR ADDITIONAL PAYMENTS DO NOT CONSTITUTE OBLIGATIONS 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. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE BASIC LEASE PAYMENTS OR ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

DEBT SERVICE SCHEDULE

[illegible]

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds will be secured solely by a pledge of Revenues and amounts on deposit in the funds, accounts and subaccounts for the related Series of Bonds established under the Indenture (other than the Rebate Fund). The Revenues primarily consist of the Basic Lease Payments to be made by the City to the Corporation under the Lease Agreement and the interest or profits from the investment of money in any fund, account or subaccount held for the related Series of Bonds under the Indenture (other than the Rebate Fund).

Pursuant to the Assignment Agreement, the Corporation will sell, assign and transfer to the Trustee for the benefit of the respective Owners, from time to time, of the Bonds, all of the Corporation's right, title and interest in and to the Site Lease and the Lease Agreement, including without limitation the Corporation's right to receive Basic Lease Payments. On or before each Lease Payment Date (on April 15 and October 15) during the Term of the Lease Agreement, the City is required to pay to the Trustee the Basic Lease Payments due on such date from budgeted or appropriated funds. The Trustee, as assignee of the Corporation, will receive the Basic Lease Payments for the benefit of the Owners of the Bonds and credit the Basic Lease Payments to the Bond Fund established pursuant to the Indenture. The Trustee will apply the Revenues held in the Bond Fund on each Interest Payment Date to pay principal and interest due on such date on the Bonds.

Lease Payments

The City has covenanted in the Lease Agreement to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in its annual budgets and to make the necessary annual appropriations for all such Lease Payments. The Lease Agreement also provides that, in so providing for the payment of Lease Payments in its annual budgets, the City may take into account moneys on deposit in the various funds and accounts under the Indenture that are properly available to make the respective Lease Payments. The Lease Agreement provides that such covenants on the part of the City are deemed to be and shall be construed to be ministerial duties imposed by law, and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements in the Lease Agreement. For a description of financial and budgetary information relating to the City's General Fund, see APPENDIX A – "CITY OF LOS ANGELES INFORMATION STATEMENT – BUDGET AND FINANCIAL OPERATIONS."

Under the Lease Agreement, the Lease Payments for the Property for each Rental Period shall constitute the total rental for such Property for such Rental Period, and shall be paid by the City in each Rental Period for and in consideration of the right of the use of, and the continued quiet use and enjoyment of, the Property during such Rental Period. "Rental Period" means each twelve month period during the Term of the Lease Agreement commencing on November 2 in any year and ending on November 1 in the next succeeding year; except that the first Rental Period during the term of the Lease Agreement shall commence on the Closing Date and end on November 1, 2022. The City and Corporation have agreed and determined that the total of all Lease Payments for the Property is not greater than the total fair rental value of such Property and the Lease Payments for the Property for each Rental Period do not exceed the fair rental value of such Property for such Rental Period. In making such determination, consideration has been given to the costs of acquisition and financing of the Capital Equipment, the appraised or market value of the Property, the insured value of the Property, the cost of improvements made or to be made to the Property, the current and future value of rent paid by tenants of the Real Property other than the City, other obligations

of the City and the Corporation, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the City and the general public.

Term of the Lease Agreement

The Term of the Lease Agreement shall end for the respective parts of the Property as provided in the Lease Agreement, unless any such term is extended or sooner terminated as provided in the Lease Agreement. If on such dates, any amount remains due and owing with respect to the Bonds, or if the Basic Lease Payments and Additional Payments under the Lease Agreement shall have been abated at any time and for any reason, then the term of the Lease Agreement with respect to the Real Property then subject to the Lease Agreement shall be extended until ten (10) days after the Basic Lease Payments and Additional Payments and all other amounts then due under the Lease Agreement with respect to such Real Property shall be fully paid, except that the term of the Lease Agreement as to the respective Real Property shall in no event be extended beyond ten (10) years after the respective dates identified with respect thereto.

In addition, upon the expiration of the term of the Lease Agreement with respect to the particular Real Property as described herein, such part of the Real Property shall be released from the Lease Agreement without compliance with the requirements described herein under the caption “ – Addition, Substitution and Release of the Property;” provided that no Real Property shall be released from the Lease Agreement (i) if, after giving effect to the release of such Real Property, a Default or Event of Default would occur under the Lease Agreement or the Indenture, and (ii) unless the City has delivered a certificate to the Trustee stating that either (a) no event giving rise to an abatement of Basic Lease Payments shall have occurred and be continuing on any of Real Property then-subject to the Lease Agreement or (b) the total of all remaining Lease Payments in each Rental Period for all Property is at least equal to the total fair rental value of all Property for each such Rental Period. See “THE LEASED PROPERTY” herein.

Abatement of Lease Payments

Pursuant to the Lease Agreement, Lease Payments will be abated during any period in which, by reason of loss, damage, destruction, title defect or otherwise (other than by condemnation or eminent domain, which is provided for separately in the Lease Agreement), there is substantial interference with the use and possession or occupancy by the City of the Property, so that the remaining Lease Payments then due for use of such Property that was not affected are not greater than the fair rental value for use of the unaffected Property. The City and the Corporation shall calculate the rental abatement amount on an annual basis taking into account the entire twelve-month period commencing November 2 within which the damage or destruction occurs. If at any time it shall be necessary to calculate rental abatement, for purposes of calculation for any twelve-month period commencing November 2 and ending on the immediately following November 1, the total amount of Lease Payments payable within such twelve-month period shall be divided by 365 days (except for leap years, in which case the divisor shall be 366 days). The maximum amount of daily rental abatement for such twelve-month period shall not exceed the result of such calculation. Such abatement shall continue for the period commencing with such interruption of use and ending with the substantial completion of the work of repair or reconstruction or replacement. In the event of any such interruption of use, the Lease Agreement shall continue in full force and effect and the Lease Payments shall not be subject to abatement under the Lease Agreement to the extent that the proceeds of rental interruption insurance or otherwise in the Bond Fund are available to pay Lease Payments which would otherwise be abated; such proceeds and amounts constitute special funds for the payment of the Lease Payments.

The City has covenanted in the Lease Agreement to maintain insurance against certain risks. Under the Lease Agreement certain risks may be covered by the City through self-insurance. See “– Maintenance of Insurance Coverages” below. Net Proceeds of such insurance or self-insurance may be applied to redeem

the Bonds in the event of loss of use of the Property. See “THE BONDS – Redemption” and APPENDIX B – “SUMMARY OF LEGAL DOCUMENTS” and the provisions described under the captions “THE LEASE AGREEMENT – Damage, Destruction and Eminent Domain; Use of Net Proceeds” and the subcaptions “– Prepayment of Lease Payments” and “– Abatement” thereunder.

Insurance

Fire or Collision and Extended Coverage. The Lease Agreement provides that the City shall procure and maintain, cause to be procured and maintained or include within its self-insurance risk retention program, commencing upon its possession of the Capital Equipment and thereafter throughout the term of the Lease Agreement, insurance against loss or damage to any part of the Capital Equipment by collision, fire, loss and theft, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by such hazards as are normally covered by such insurance. The City expects to insure the Capital Equipment through its risk retention program. See APPENDIX A – “CITY OF LOS ANGELES INFORMATION STATEMENT – BUDGET AND FINANCIAL OPERATIONS – Risk Management and Retention Program.”

The Lease Agreement also provides that the City shall procure and maintain, or cause to be procured and maintained, commencing upon its possession of the Real Property and thereafter throughout the Term of the Lease Agreement, insurance against loss or damage to any structures or equipment constituting any part of the Real Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, which coverage may exclude earthquake insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

Such insurance shall be in an amount equal to the lesser of the Outstanding principal amount of the Bonds and 100% of the replacement cost of the related Property (including all modifications to the Capital Equipment or improvements on the Property, as applicable) (it being understood and agreed that in the event of the loss of all or a portion of such Property and the redemption of all or a portion of the Bonds from the Net Proceeds of such insurance, that the remaining Real Property shall have a fair rental value equal to or exceeding the remaining Lease Payments). Such insurance (if commercially obtained with respect to the Capital Equipment) may be subject to deductible clauses of not to exceed \$100,000 for any one loss (with respect to the Capital Equipment) and may be subject to commercially reasonable deductible clauses (with respect to the Real Property). Such insurance may be satisfied by a combination of commercial insurance, risk pooling under a joint powers authority or similar statutory provision, self-funded loss reserves and, to the extent permitted by law, risk retention programs all in such proportions as are deemed appropriate by professional risk management personnel or independent consultants. The City shall include in its annual budget an item to provide funds for commercial insurance covering physical property damage to the Property and, with respect to the Capital Equipment, only if commercial insurance is obtained.

Pursuant to the Lease Agreement, the City covenants that it will use available budgeted or appropriated funds and the proceeds of any purchased insurance to accomplish one of the following purposes, in the event of the loss or destruction of, or unrepaired damage to, any portion of the Property which would otherwise result in abatement of all or a portion of the Basic Lease Payments payable under the Lease Agreement:

- (1) to repair diligently the affected Property, or acquire, or with respect to the Real Property, construct replacement property (in each case at the City’s cost) having a useful life not less than the remaining Term of the Real Property so lost, destroyed or damaged to be and become subject to the Lease Agreement at a cost such that the total fair rental value of all Property leased pursuant to the Lease Agreement (including such replacement Property) for each remaining Rental

Period is not less than the Lease Payments for each Rental Period over the remaining Term of the Lease Agreement;

(2) to deposit with the Trustee, as assignee of the Corporation, in a special account to be held in trust by the Trustee, an amount (not less than \$50,000) sufficient, under the Lease Agreement, to purchase the portion of the Property so destroyed or irreparably damaged, and to instruct the Trustee at the time of said deposit that said amount is to be used as a special fund for prepayment of Basic Lease Payments pertaining to the Property destroyed or irreparably damaged; or

(3) to apply such funds as provided in the Lease Agreement and the Indenture to redeem Bonds so that the Basic Lease Payments to be made on the remaining Property, under the Lease Agreement will be sufficient to pay principal of and interest on the Bonds that remain Outstanding and will not exceed the fair rental value for each Rental Period over the remaining Term of the Lease Agreement.

In the event of any uninsured loss to the Real Property resulting from earthquake, (a) the City shall apply for and use its best efforts to obtain financial assistance from the United States of America to be used for the repair, reconstruction or replacement of such Real Property, and (b) the City shall repair or replace the Real Property or defease the Bonds from moneys, if any, available budgeted or appropriated funds.

Rental Interruption Insurance. The Lease Agreement requires that the City procure and maintain, commencing upon its possession of the Property and thereafter throughout the Term of the Lease Agreement, rental interruption, or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property for a period of 24 months during the Term of the Lease Agreement as a result of any of the hazards covered in the insurance required by the provisions of the Lease Agreement, in an amount to insure against loss of substantial use and possession of the Property. The provider of such insurance shall be rated at least "A" by A.M. Best & Company. The City is not permitted under the Lease Agreement to self-insure through its risk retention program rental interruption insurance. The Trustee shall be the beneficiary under such policy and any amounts received thereunder shall be credited towards the Lease Payments in the order in which such Lease Payments come due and payable. See "RISK FACTORS – Earthquake and Seismic Conditions" herein.

Public Liability and Property Damage Insurance. The Lease Agreement requires the City to maintain or cause to be maintained, commencing upon its possession of the Property pursuant to the Lease Agreement and thereafter throughout the Term of the Lease Agreement, a program of general liability insurance protecting the Corporation, the City, and their respective officers, directors, agents, assignees and employees. Such program shall provide for indemnification of said parties against loss or liability for damages for bodily and personal injury, death or property damage occasioned by use of the Property. Such insurance is expected to be satisfied through the City's risk retention program.

Title Insurance. The Lease Agreement provides that the City shall obtain, at its own expense, on or before commencement of the Term of the Lease Agreement a California Land Title Association ("CLTA") title insurance policy or policies in the amount equal to the aggregate principal component of the Basic Lease Payments attributable to the Real Property, insuring the Corporation's leasehold estate in the Real Property, subject only to Permitted Encumbrances. All Net Proceeds, if any, received under the policy, or policies, shall be deposited with the Trustee and shall be credited towards the prepayment of the remaining Lease Payments as further provided in the Lease Agreement.

Insurance Net Proceeds; Form of Policies; Certificates of Effectiveness. The Lease Agreement provides that each policy of insurance (other than workers' compensation insurance) and each rental

interruption policy of insurance required by the Lease Agreement shall name the Trustee as a loss payee as its interests may appear and shall provide that all proceeds thereunder be 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 Agreement, and shall promptly furnish or cause to be furnished to the Trustee on or before September 1 annually a certificate of a City Representative stating that such payments have been made and that the insurance policies required by the Lease Agreement are in force and effect. For further description of these matters, see APPENDIX B – “SUMMARY OF LEGAL DOCUMENTS – THE LEASE AGREEMENT – Maintenance; Taxes; Insurance; and Other Matters.”

Addition, Substitution and Release of the Property

The City shall, at any time, have the right under the Lease Agreement to add, substitute or release all or a portion of the Property then currently constituting the Property (in such case the substitute Property shall mean the former Property, less any portion released pursuant to the Lease Agreement) for other property of an annual fair rental value such that the aggregate annual fair rental value of the Property after such substitution or release equals or exceeds the highest annual Basic Lease Payments due in any remaining Rental Period, of a comparable essential nature to the City, but only by providing the Trustee with (a) a written certificate describing both the new Property, and the Property for which it is to be substituted, and stating that such portion of the Property is of an annual fair rental value such that the aggregate annual fair rental value of all of the Property after giving effect to such substitution or release equals or exceeds the Basic Lease Payments due in each remaining Rental Period, and is of a comparable essential nature to the City, and (b) an executed amendment to the Lease Agreement, and if the amendment itself is not to be recorded in the county registry, an executed and acknowledged memorandum of lease for the new Property, if such new Property is Real Property. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS –Term of the Lease Agreement” and “THE LEASED PROPERTY – Real Property” for a description of when and under what circumstances particular Real Property will be released from the Lease Agreement without compliance with the requirements described above.

In the event of such substitution, the Property substituted for the original Property shall become fully subject to the terms of the Lease Agreement, and the City shall obtain, in the case of new Property that is Real Property, a policy of CLTA title insurance insuring the Corporation’s leasehold estate in the new real property so that the combined policies of CLTA title insurance on all of the leasehold estate(s) in the Real Property subject to the Lease Agreement will be not less than the aggregate principal amount of Outstanding Bonds. Notwithstanding any substitution or release of the Property pursuant to the Lease Agreement, there shall be no reduction in the Basic Lease Payments due from the City thereunder and no such substitution or release of Property shall occur if the Property being leased under the Lease Agreement after giving effect to such substitution or release would have a fair rental value in any Rental Period of less than the Lease Payments in each such Rental Period.

An addition, substitution or release of the Property under the Lease Agreement, if material, is an event for which notice will be provided to EMMA pursuant to the Continuing Disclosure Certificate for the Bonds.

Repair and Maintenance; Taxes and Assessments

All improvement, repair and maintenance of the Property during the respective Term of the Lease Agreement shall be the responsibility of the City. The City shall, at its own expense, during the Term of the Lease Agreement maintain the Property, or cause the same to be maintained, in good order, condition and repair, and shall replace any portion of the Property which is lost, stolen or destroyed, as applicable; *provided*, that the City shall not be required to repair or replace any such portion of such Property if there shall be applied to the prepayment of Basic Lease Payments Net Proceeds or other available budgeted or

appropriated funds sufficient to prepay (i) all of the Bonds Outstanding or (ii) any portion thereof relating to the Property, or such portion thereof, and the Basic Lease Payments allocable to the remaining portion of the applicable Property shall be sufficient to pay principal of and interest on the Bonds Outstanding after such prepayment. Pursuant to the Lease Agreement, the City shall provide or cause to be provided all security service, custodial service, janitorial service, mechanical service and other services necessary for the proper upkeep and maintenance of the Property, as applicable.

Pursuant to the Lease Agreement, the City shall also pay or cause to be paid all taxes, charges, fees and assessments of any type or nature, if any, charged to the Corporation or the City affecting the Property or their respective interests therein; provided that with respect to special assessments, fees or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due. Subject to certain exceptions, the City may, at the City's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom.

THE LEASED PROPERTY

The City will lease the Property described below from the Corporation pursuant to the Lease Agreement. The Bonds are not secured by, and the Owners of the Bonds have no security interest in or mortgage on, the Property.

Capital Equipment. The Capital Equipment to be leased to the City pursuant to the Lease Agreement consists of the equipment for various City departments, as set forth below:

Department	Equipment Description
Fire Department	Aerial ladder trucks, ambulance, communication equipment, equipment attachments, fire truck (electric), forklifts, helicopter equipment, pick-up trucks, sport utility vehicles, and triple combination apparatus
Department of General Services	Electric vehicle charging stations, excavators, graders, forklifts (diesel, liquefied petroleum gas and electric), lathe, loaders (skid steel, tractor wheeled), rotary lifts, sedans, sidewalk sweepers, tool kit press brake, transportation trailers, trucks (aerial lift, core drilling, dump, flatbed, over-cab, pick-up, roll-off, stakeside with lift gate, tack, tractor, vacuum tank), trucksters (gas and electric), vans (panel, passenger), and aa welding machine
Department of Public Works	Electric vehicle charging stations, loaders (front/rear/side tractor wheeled), trailers, and trucks (dump, pick up, roll off, and stake bed)
Police Department	Electric vehicle charging stations, equipment attachments, helicopter, helicopter equipment, sedans, sport utility vehicles, and passenger vans

Real Property. The Real Property to be leased to the City pursuant to the Lease Agreement consists of the following:

- Harbor Community Police Station, located at 2175 John South Gibson Boulevard in Los Angeles (the "Harbor Community Police Station"), is an approximately 50,000 square-foot facility situated on 193,279 square-feet of land. The Harbor Community Policy Station is located at the entrance of the Port of Los Angeles, the busiest port in the Western

Hemisphere, and serves the communities of Harbor City, Harbor Gateway, San Pedro, Terminal Island and Wilmington.

- Hollenbeck Community Police Station, located at 2111 East 1st Street in Los Angeles (the “Hollenbeck Community Police Station”), is an approximately 52,210 square-foot facility situated on 46,230 square feet of land. The Hollenbeck Community Police Station is located east of downtown Los Angeles and serves the communities of Aliso Village, Boyle Heights, El Sereno, Estrada Court, Hermon, Hillside Village, Lincoln Heights, Montecito Heights, Monterey Hills, Pico Gardens, Ramona Gardens, Rose Hills Courts, University Hills.
- Northeast Community Police Station, located at 3353 North San Fernando Road in Los Angeles (the “Northeast Community Police Station”), is approximately 125,715 square-foot facility situated on 60,984 square-feet of land. The Northeast Community Police Station serves the communities of Atwater Village, Cypress Park, Eagle Rock, East Hollywood, Echo Park, Elysian Park, Elysian Valley, Franklin Hills, Garvanza, Glassell Park, Highland Park, Los Feliz, Mount Washington, Silver Lake, Solano Canyon.

Pursuant to the Lease Agreement, upon the expiration of the term of the Lease Agreement with respect to the particular Real Property as described below, such part of the Real Property shall be released from the Lease Agreement without compliance with the requirements described herein under the caption “– Addition, Substitution and Release of the Property;” provided that no Real Property shall be released from the Lease Agreement (i) if, after giving effect to the release of such Real Property, a Default or Event of Default would occur under the Lease Agreement or the Indenture, and (ii) unless the City has delivered a certificate to the Trustee stating that either (a) no event giving rise to an abatement of Basic Lease Payments shall have occurred and be continuing on any of Real Property then-subject to the Lease Agreement or (b) the total of all remaining Lease Payments in each Rental Period for all Property is at least equal to the total fair rental value of all Property for each such Rental Period.

Real Property Component	Term	Maximum Extension
Harbor Community Police Station	[November 1, 2041]	[November 1, 2051]
Hollenbeck Community Police Station	[November 1, 2041]	[November 1, 2051]
Northeast Community Police Station	[November 1, 2041]	[November 1, 2051]

The City may add to, substitute for or release all or a portion of the Capital Equipment and Real Property constituting the Property, respectively, subject to satisfaction of various conditions set forth in the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Term of the Lease Agreement” herein. For additional information regarding insurance, maintenance, replacement and substitution of the Property and similar matters, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein and APPENDIX B – “SUMMARY OF LEGAL DOCUMENTS – THE LEASE AGREEMENT – Maintenance; Taxes; Insurance; and Other Matters.”

THE CITY

The City was incorporated in 1781. The original Charter of the City was adopted in 1850, and most recently amended in 1999, with an effective date of July 1, 2000. The governing body of the City consists of a Mayor and City Council, comprised of fifteen members. The City, comprised of 470 square miles, is the second most populous city in the United States with an estimated 2020 population of 4.01 million persons. See APPENDIX A – “CITY OF LOS ANGELES INFORMATION STATEMENT.”

THE CORPORATION

The Municipal Improvement Corporation of Los Angeles is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code) for the purpose of providing financial assistance to the City by financing, acquiring, constructing, improving, leasing and developing certain equipment and property for the benefit of the public. The Corporation was formed at the request of the City in 1984. The Corporation is governed by a five-member Board of Directors (the “MICLA Board”). MICLA Board members were initially appointed by the Mayor in 1984. Appointments to fill subsequent vacancies are made by the MICLA Board, subject to City Council approval. The MICLA Board members do not receive compensation. The City indemnifies MICLA Board members for any liabilities occurring in connection with the performance of their duties.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the risks inherent in the purchase of the Bonds.

Limited Obligations

The City has covenanted in the Lease Agreement to take such actions as may be necessary to include the Basic Lease Payments due under the Lease Agreement in its annual budgets and to make the necessary annual appropriations therefor. However, the Bonds are limited obligations of the Corporation and are payable solely from the Revenues and amounts on deposit in the funds and accounts established under the Indenture with respect to each Series (other than amounts on deposit in the Rebate Fund). The Bonds do not constitute a debt or liability of the City or of the State and neither the faith and credit of the City or of the State are pledged to the payment of the principal of or interest on such Bonds. Neither the Bonds nor the obligation of the City to make Basic Lease Payments or Additional Payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Abatement

During any period in which by reason of loss (with respect to the Capital Equipment), damage, destruction, title defect (with respect to the Real Property) or otherwise (other than by condemnation or eminent domain as provided in the Lease Agreement) there is substantial interference with the use and possession (or occupancy with respect to the Real Property) of the Property, the Lease Payments will be abated. The City’s use and occupancy of the Property will not be abated solely as a result of the continuance of the current pandemic or the restrictions on activities related thereto. See “Impacts and Potential Impacts of COVID-19 on the City” below.

Notwithstanding (i) the provisions of the Lease Agreement specifying the extent of such abatement; and (ii) the City’s covenants to maintain certain rental interruption insurance and to insure against certain other risk of loss, the resulting Lease Payments (and such other funds) may not be sufficient to pay all of the remaining principal and interest due with respect to the Bonds. The City has no rental interruption insurance for damage caused by earthquake. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Abatement of Lease Payments” and APPENDIX B – “SUMMARY OF LEGAL DOCUMENTS – THE LEASE AGREEMENT – Damage, Destruction and Eminent Domain; Use of Net Proceeds – Abatement of Rent.”

Economic Condition in Local, State and National Economies

The financial condition of the City can be significantly affected by generally prevailing conditions in the local, State and national economies. Such conditions and factors may impact the amounts available to the City to pay Basic Lease Payments due under the Lease Agreement. A number of the City's sources of revenues are collected and subvented by the State (such as sales taxes and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Approximately 40% of the City's General Fund revenues are collected by the State or allocated by State law.

The nation and the State are presently experiencing a severe economic recession resulting from the COVID-19 pandemic. See "INTRODUCTION – COVID-19" herein, "Impacts and Potential Impacts of COVID-19 on the City" below, and APPENDIX A – "CITY OF LOS ANGELES INFORMATION STATEMENT – OVERVIEW OF THE CITY'S FINANCIAL CONDITION – COVID-19 Pandemic." There can be no assurances that the current or future recession or otherwise declining conditions in the local, State or national economies will not materially adversely affect the financial condition of the City in the future. See APPENDIX A – "CITY OF LOS ANGELES INFORMATION STATEMENT — MAJOR GENERAL FUND REVENUE SOURCES — Impact of State of California Budget."

Impacts and Potential Impacts of COVID-19 on the City

The outbreak of COVID-19 has had an adverse effect on, among other things, the national economy, the global supply chain, international travel and travel-related industries. The outbreak has negatively affected national and local economies and financial markets, and is expected to continue to negatively affect economic output worldwide and within the State and the City. The State, the County and the City have taken actions designed to mitigate the spread of COVID-19. While several vaccinations against COVID-19 have been and continue to be administered, the pandemic is ongoing, and its duration, severity and economic effects remain uncertain. There can be no assurance that more restrictive safety protocols (including business closures) will not be imposed or reimposed in the future, depending on the course of the pandemic and other factors.

For Fiscal Year 2020-21, receipts from the American Rescue Plan Act ("ARPA") and other federal funds allowed the City to balance its operations despite continuing revenue losses. The City's Fiscal Year 2021-22 Budget is balanced, with a Reserve Fund balance of \$647 million or 8.6 percent of General Fund revenues. The City's Fiscal Year 2021-22 Budget assumed the receipt of federal funds (including the second allocation of \$639.5 million of ARPA funds) and varying degrees of revenue recovery (depending on the underlying economic drivers that would constrain or boost growth). If vaccination efforts stall or if variants become pervasive or prove to be vaccine resistant, there is risk of new outbreaks prompting renewed restrictions and closures. See "BUDGET AND FINANCIAL OPERATIONS – Fiscal Year 2020-21," "– Fiscal Year 2020-21 Budget" and "– General Fund Budget Outlook."

Other potential impacts to the City associated with the pandemic include, but are not limited to, challenges to the City's public health and safety infrastructure. Although various measures are being implemented to address the impacts of the pandemic on the City's operations and finances, the City cannot predict the effectiveness and duration of these measures. The actual impact of the pandemic on the City, its economy and its finances will depend on future events, including future events outside of the control of the City. See APPENDIX A – "CITY OF LOS ANGELES INFORMATION STATEMENT — OVERVIEW OF THE CITY'S FINANCIAL CONDITION."

No Limitation on Incurring Additional Obligations

Neither the Lease Agreement nor the Indenture contains any legal limitations on the ability of the City to enter into other obligations that may constitute additional charges against its General Fund revenues. To the extent that the City incurs additional obligations, the funds available to make Basic Lease Payments may be decreased. The City is currently liable on other obligations payable from General Fund revenues and is currently contemplating entering into other such obligations. See APPENDIX A – “CITY OF LOS ANGELES INFORMATION STATEMENT – BONDED AND OTHER INDEBTEDNESS.”

Seismic Events and Other Natural Disasters; Force Majeure

The City is subject to unpredictable and significant seismic activity. A number of known faults run through the City, and the City lies near the San Andreas Fault, which is the boundary between the Pacific and North American tectonic plates. The complex Los Angeles fault system interacts with the alluvial soils and other geologic conditions in the hills and basins. This interaction appears to pose a potential seismic threat for every part of the City, regardless of the underlying geologic and soils conditions. In addition, there are likely to be unmapped faults throughout the City. The most recent major earthquake, the Northridge earthquake in 1994, occurred along a previously unmapped blind thrust fault.

It is probable that a major earthquake will occur during the term of the Bonds. A major earthquake could cause widespread destruction and significant loss of life in a populated area such as the City. If an earthquake were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund to make Lease Payments would be likely to occur.

Seismic activity may also affect the use and occupancy of the Property. See “CERTAIN RISK FACTORS – Abatement” above. The City generally does not maintain earthquake insurance coverage against loss or damage to City property. Instead, the City relies on its general reserves as well as the expectation that some disaster relief funds, which could be minimal amounts in comparison to the losses, will be available from the Federal Emergency Management Agency (“FEMA”) to address any resulting damage from seismic activity. The City has received a waiver from the requirement under federal law that it acquire earthquake insurance on facilities that were the beneficiaries of prior FEMA grants. There is no assurance that, in the event of an earthquake, sufficient City reserves or FEMA assistance would be available for the repair or replacement of any Real Property. The Lease Agreement does not require the City to maintain insurance coverage insuring against loss or damage due to earthquakes and the City does not intend to purchase such insurance coverage during the Term of the Lease Agreement. See APPENDIX A “CITY OF LOS ANGELES INFORMATION STATEMENT – OTHER MATTERS – Seismic Considerations.” The Lease Agreement provides that, in the event of any uninsured loss to the Real Property resulting from earthquake (a) the City shall apply for and use its best efforts to obtain financial assistance from the United States of America to be used for the repair, reconstruction or replacement of such Real Property, and (b) the City shall repair or replace the Real Property or defease the outstanding Bonds from moneys, if any, budgeted or appropriated therefor. Commercial rental interruption or use and occupancy insurance can only be obtained with respect to hazards insured against under a commercial property insurance policy. The City does not have commercial property insurance coverage for damage caused by earthquake. Thus in the event of damage to the Real Property caused by earthquake resulting in an abatement of Basic Lease Payments under the Lease Agreement, no rental interruption or use and occupancy insurance proceeds will be available.

Operation of the Property may also be at risk from other events of force majeure, such as damaging storms, floods, fires and explosions, strikes, sabotage, riots and spills of hazardous substances, among other events. If a natural disaster were to damage or destroy a substantial portion of the Property, there could be

an abatement of Basic Lease Payments under the Lease Agreement. If a natural disaster were to damage or destroy a substantial portion of taxable property within the City, the assessed valuation of the real property could be reduced, which could result in a reduction of property tax revenues and other revenues in the City's General Fund that are used to pay Basic Lease Payments under the Lease Agreement. In addition, substantial financial and operational resources of the City could be required during the event and subsequently to repair damage to City infrastructure, which could also reduce amounts available in the City's General Fund. The City cannot predict what force majeure events may occur in the future.

Climate Change

There are potential risks to the City associated with changes to the climate over time. See APPENDIX A – “CITY OF LOS ANGELES INFORMATION STATEMENT – OTHER MATTERS – Climate Change.” The City cannot predict the timing, extent, or severity of climate change and its impact on the City's operations and finances but over time the costs could be significant and could have a material adverse effect on the City's finances by requiring greater expenditures to respond to the effects of climate change. Also, additional actions to address climate change may be necessary and the City can give no assurances regarding the impact of such actions on the City's operations and finances.

Insurance

The Property is subject to a variety of risks of loss. The City directly assumes certain insurable risks without procuring commercial insurance policies. The City administers, adjusts, settles, defends and pays claims from budgeted resources. It is self-insured for workers' compensation as permitted under State law. Funds are budgeted annually to provide for claims and other liabilities based both on the City's historical record of payments and an evaluation of known or anticipated claims. See APPENDIX A – “CITY OF LOS ANGELES INFORMATION STATEMENT – BUDGET AND FINANCIAL OPERATIONS – Risk Management and Retention Program” and APPENDIX B – “SUMMARY OF LEGAL DOCUMENTS – THE LEASE AGREEMENT – Maintenance; Taxes; Insurance and Other Matters.” The Lease Agreement permits the insurance requirements therein (other than rental interruption insurance) to be satisfied by a combination of commercial insurance, risk pooling under a joint powers authority or similar statutory provision, self-funded loss reserves and, to the extent permitted by law, risk retention programs, all in such proportions as are deemed appropriate by professional risk management personnel or independent consultants. The City currently intends to satisfy its insurance obligations under the Lease Agreement by including the Capital Equipment in its risk retention program and its insurance obligations under the Lease Agreement with commercial insurance. In addition, the City intends to include the helicopters (currently part of the Capital Equipment) in the City's aircraft hull and liability insurance, which covers bodily injury and property damage liability for a covered aircraft up to a policy limit of \$150 million and insures against damage to the hull based on each aircraft's individual insured (or market) value, depending on the make, model, year and any after-market equipment that has been outfitted on the aircraft. There are no deductibles applicable to coverage under the aircraft hull and liability insurance. Further, the Lease Agreement does not require the City to insure or self-insure against every potential risk of loss, and there is a risk that damage or destruction of the Property could occur for which no insurance or City funds will be available. Such insurance does not cover, for example, acts of terrorism or certain other casualties. For example, the Property could be damaged or destroyed due to earthquake or other casualty not covered in the Lease Agreement for which the Property is uninsured. Under such circumstances, an abatement of Basic Lease Payments could occur and could continue indefinitely under the Lease Agreement.

There can be no assurance that the insurance providers will pay claims under the respective policies promptly or at all, should a claim be made by the City in connection with loss or damage to any Property under such policies. It is possible that an insurance provider will refuse to pay a claim, especially if it is substantial, and force the City to sue to collect on or settle the insurance claim. Further, there can be no

assurances that amounts received as proceeds from insurance will be sufficient to redeem the Bonds or to pay principal of and interest on the Bonds as and when due. The City believes that the insurance arrangements provided in the Lease Agreement will be adequate to reasonably protect the City from the various liabilities that arise from use of the Property and to provide for the payment of Basic Lease Payments in the event that the City loses beneficial use of the Property due to risks for which fire and extended coverage insurance has been obtained. However, no assurance can be given that such insurance arrangements will cover all events causing damage or will be adequate to cover the payment of Basic Lease Payments in all circumstances.

Constitutional and Statutory Limitations on Increase of Revenues

Article XIII A (limitation on *ad valorem* tax), Article XIII B (government spending limitation), Article XIII C (voter approval for local tax levies) and Article XIII D (assessment and property related fee reform) of the Constitution of the State of California were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, other initiative measures may be adopted, which may affect the City's revenues and its ability to expend said revenues. The above mentioned measures and any future measures could restrict the City's ability to raise additional funds for its General Fund. See APPENDIX A – "CITY OF LOS ANGELES INFORMATION STATEMENT – LIMITATIONS ON TAXES AND APPROPRIATIONS."

Limitations on Default Remedies

In the event of nonpayment by the City of the Lease Payments, or other default by the City under the Lease Agreement, the enforcement of any remedies provided in the Indenture and in the Lease Agreement by or on behalf of Owners of the Bonds could prove expensive and time consuming, or legally impeded. For example, the Indenture and the Lease Agreement provides that if there is a default by the City under the Lease Agreement, the Trustee may terminate the Lease Agreement and re-let the Property, but such Property, may not be easily re-leased, and any re-letting of the Property, could result in lease payments that would be substantially less than the Lease Payments payable by the City under the Lease Agreement. In addition, due to the essential nature of the governmental function of the Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect to any or all of the Property. The Trustee may exercise any and all remedies available pursuant to law or the Lease Agreement, but the Lease Agreement provides that there shall be no right under any circumstances to accelerate the Lease Payments.

Cybersecurity

The City relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private, and sensitive information, the City and its departments and offices face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. No assurances can be given that the City's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the City's computer and information technology systems could impact its operations and damage the City's digital networks and systems, and the costs of remedying any such damage could be substantial. See APPENDIX A – "CITY OF LOS ANGELES INFORMATION STATEMENT – OTHER MATTERS – Cybersecurity."

Bankruptcy

A bankruptcy petition may be filed by the City or the Corporation. In particular, the City may file a petition under Chapter 9 ("Chapter 9") of Title 11 of the United States Code (the "Bankruptcy Code"),

provided that it complies with requirements of Section 53760 *et seq.* of the Government Code of the State. Under the Government Code, a local public entity, including the City, is prohibited from filing under the Bankruptcy Code unless it has participated in a specified neutral evaluation process with interested parties, as defined, or it has declared a fiscal emergency and has adopted a resolution by a majority vote of the governing board at a noticed public hearing that includes findings that the financial state of the local public entity jeopardizes the health, safety, or well-being of the residents of the local public entity's jurisdiction or service area absent bankruptcy protections.

If the City were to become a municipal debtor under Chapter 9 of the Bankruptcy Code, the City would be entitled to all of the protections afforded a municipal debtor under the Bankruptcy Code, and an owner of a Bond would be treated as a creditor. Possible adverse effects of a municipal bankruptcy include, but are not limited to: (a) the application of the automatic stay provisions of the Bankruptcy Code which, absent court approval, generally prohibit the commencement of any judicial or other action in non-bankruptcy court to recover a pre-petition claim against the City, any act to collect on a pre-petition claim, or any act to obtain possession of the municipal debtor's property; (b) the avoidance of preferential transfers occurring during the relevant period prior to the commencement of the bankruptcy case; (c) the existence of secured and/or unsecured creditors with allowed claims that may have priority over any claims of Owners of Bonds; and (d) the possibility of the bankruptcy court's confirmation of a plan of adjustment of the City's debts, which may restructure, delay, compromise or reduce the amount of the claim of the Owners of the Bonds. As a result of the commencement of a bankruptcy case by either the City or the Corporation, Owners of the Bonds could experience partial or total loss of their investment in the Bonds.

In addition, under the Bankruptcy Code, certain provisions of the Lease Agreement that are based on the bankruptcy, insolvency or financial condition of the City may be rendered unenforceable. Under the Indenture, the Trustee has a security interest in the Revenues, including Base Rental Payments, for the benefit of the Owners of the Bonds, but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the City. The Real Property is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners of the Bonds. In the event a bankruptcy court determines that the Lease Agreement is an unexpired lease for purposes of the Bankruptcy Code, certain provisions of the Bankruptcy Code could impact the rights and remedies of the parties, and would allow the City to reject the Lease Agreement, which would give rise to the Trustee's unsecured claim for unpaid rent, affect the enforceability of certain provisions of the Lease Agreement, and have an adverse effect on the liquidity and market value of the Bonds.

The various legal opinions to be delivered concurrently with the Bonds (including Bond Counsel's approving opinion) will be qualified as to the enforceability of the various agreements by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion.

CONTINUING DISCLOSURE

Pursuant to the Indenture and a Continuing Disclosure Certificate for the Bonds, the City has covenanted for the benefit of Bond Owners to provide certain financial information and operating data relating to the City by not later than June 30th of each year, commencing on June 30, 2021, for fiscal year 2019-20, in the form of an annual report (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") site at <http://emma.msrb.org>. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the City's continuing disclosure obligations are summarized in APPENDIX E – "FORM OF CONTINUING DISCLOSURE

CERTIFICATE.” These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”).

The City and its related entities issue a variety of bonds, notes and obligations (“Obligations”), including Obligations issued through its proprietary enterprise programs and for its housing program and other conduit borrowers, as well as Obligations secured by special taxes and special assessments. The representations made by the City in this section regarding its previous continuing disclosure undertakings relate only to those Obligations which are managed by the City Administrative Officer and its staff, including Obligations secured by the City’s general fund (including the bonds and notes issued through the Corporation), General Obligation Bonds, Wastewater System Revenue Bonds, Tax and Revenue Anticipation Notes, and Solid Waste Revenue Bonds. The City’s Department of Airports, Department of Water and Power and Harbor Department (each of which is governed by a Board of Commissioners that is separate from the City Council) enter into separate continuing disclosure undertakings in connection with the bonds and notes that are secured and payable from their respective enterprise revenues.

The City failed to provide notice within 10 days of the incurrence of the Purchase and Assignment Agreement with the Corporation and Banc of America Public Capital Corporation and the execution of the Sublease Agreement between the Corporation and the City in accordance with certain of the City’s continuing disclosure undertakings. On October 24, 2019, the City filed notice of the incurrence and execution of these agreements with the MSRB on the EMMA website.

The City omitted from the annual report filed for Fiscal Year 2018 for its Wastewater System Subordinate Revenue Bonds, Series 2018-A (Green Bonds) and the Wastewater System Subordinate Revenue Bonds, Refunding Series 2018-B an update to the information in the Official Statement for such bonds under the caption “LITIGATION.” This information was included in an update to the annual report for Fiscal Year 2019 that was filed on April 28, 2020 with the MSRB on the EMMA website.

The City omitted from the annual reports filed for Fiscal Years 2016 and 2017 for its Solid Waste Resources Refunding Revenue Bonds, Series 2015-A a table entitled “SOLID WASTE PROGRAM – CHANGES IN OPERATING CASH.” A supplement setting forth this information was subsequently filed with the MSRB on the EMMA website.

The City failed to provide in a timely manner notice of redemption and failed to file a notice of defeasance for the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2009-D (Recovery Zone Economic Development Bonds) in accordance with the City’s continuing disclosure undertakings relating to these bonds. These bonds were paid in full on September 1, 2019 and are no longer outstanding.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indenture and the Tax Certificate, entered into by the Corporation and the City (the “Tax Certificate”), the Corporation and the City have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds

from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Corporation and the City have made certain representations and certifications in the Indenture and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Corporation and the City described above, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

State Taxes

Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes of the State, under present State law. Bond Counsel expresses no opinion as to other State or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than the State of California.

Original Issue Discount

Bond Counsel is further of the opinion that the excess of the principal amount of a maturity of the Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a “Discount Bond” and collectively the “Discount Bonds”) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

Bonds sold at prices in excess of their principal amounts are “Premium Bonds”. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which offsets the amount of tax-exempt interest and is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix C. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Nixon Peabody LLP, Los Angeles, California, as Bond Counsel (the “Bond Counsel”), who have been retained by, and act as, Bond Counsel to the City and Corporation. The proposed form of the opinions of Bond Counsel is attached hereto as APPENDIX C – ‘PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL. Bond Counsel have not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material and assume no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in their

capacities as Bond Counsel, Bond Counsel have, at the request of the City and the Corporation, reviewed the information under the headings “THE BONDS” (other than the information relating to The Depository Trust Company and the book-entry only system), “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “TAX MATTERS” and in APPENDIX B. This review was undertaken solely at the request and for the benefit of the City and Corporation and did not include any obligation to establish or confirm factual matters set forth herein. Certain legal matters will be passed on for the City and the Corporation by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and by Michael N. Feuer, City Attorney. Bond Counsel and Disclosure Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

LITIGATION

There is no controversy of any nature now pending against the City or the Corporation or, to the knowledge of their respective executive officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the City or the Corporation taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Bonds or the use of the Bond proceeds.

There are no pending lawsuits which in the opinion of the City Attorney challenge the validity of the Bonds, the corporate existence of the City or the Corporation, or the title of the executive officers thereof to their respective offices. See APPENDIX A – “CITY OF LOS ANGELES INFORMATION STATEMENT.” Included as part of Appendix A is a list prepared by the Office of the City Attorney of certain recently completed, pending or threatened matters involving the City, which primarily involve matters for which the City believes, based on current facts and circumstances, an adverse ruling or outcome could lead to a possible financial exposure of \$10,000,000 or more.

RATINGS

[Kroll Bond Rating Agency (“Kroll”) and S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“Standard & Poor’s”)] have assigned the ratings of “___” (___ outlook) and “___” (___ outlook), respectively, to the Bonds. The ratings provided by each of the rating agencies reflect only the views of such organizations and an explanation of the significance of such ratings may only be obtained from the respective agencies at the following website addresses: Kroll, at www.krollbondratings.com and Standard & Poor’s, at www.standardandpoors.com. No information from such websites is incorporated by reference herein. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agency, circumstances so warrant. Any such downward revisions or withdrawals of such ratings may have an adverse effect on the market price or marketability of the Bonds. The City undertakes no responsibility to maintain any rating on the Bonds or to take any action, except as may be required by the Continuing Disclosure Certificate, in the event of a lowered rating, suspension or withdrawal.

FINANCIAL STATEMENTS

The City’s Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2020 (the “Financial Statements”), and the Independent Auditor’s Report regarding the Financial Statements are available on the EMMA site at <https://emma.msrb.org/P11461151-P11132723-P11544868.pdf> and is incorporated herein by reference thereto. No other information from such website is incorporated by reference into this Official Statement. The Financial Statements have been audited by Macias Gini & O’Connell LLP, independent certified public accountants, as stated in the Independent Auditor’s Report.

Macias Gini & O'Connell LLP has not consented to the inclusion by reference of its report in this Official Statement and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Macias Gini & O'Connell LLP with respect to any event subsequent to the date of the Independent Auditor's Report.

UNDERWRITING

The Bonds were sold at a competitive sale on November 17, 2021. The Bonds were awarded to _____ (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at an aggregate purchase price of \$_____ (which amount represents the principal amount of such Bonds, plus an original issue premium of \$_____, less an underwriters' discount of \$_____). The Underwriter may offer and sell the Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page thereof.

MUNICIPAL ADVISOR

Public Resources Advisory Group (the "Municipal Advisor"), has acted as independent registered municipal advisor to the City in conjunction with the issuance of the Bonds. The Municipal Advisor has assisted the City in preparation of this Official Statement and in other matters related to the planning, structuring, execution and delivery of the Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Bonds.

The Municipal Advisor has not audited, authenticated or otherwise independently verified the information set forth in the Official Statement, or any other information related to the City with respect to the accuracy or completeness of disclosure of such information. Because of this limited participation, the Municipal Advisor makes no guaranty, warranty or other representation respecting the accuracy or completeness of this Official Statement or any other matter related to this Official Statement.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the Corporation and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the City.

CITY OF LOS ANGELES, CALIFORNIA

By: _____
Assistant City Administrative Officer

APPENDIX A

CITY OF LOS ANGELES INFORMATION STATEMENT

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PART 1: FINANCIAL INFORMATION

Certain statements included or incorporated by reference in this Appendix A constitute “forward-looking statements.” Such forward-looking statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet City forecasts in any way, regardless of the level of optimism communicated in the information. The City has no plans to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, do not occur, or change.

Particularly because of the evolving nature of the current COVID-19 public health crisis described herein, no assurance can be given that any estimates of future impact described herein will be achieved, and actual results may differ materially from the potential impact described herein. All projections, forecasts, estimates, assumptions and other forward-looking statements in this Appendix A are expressly qualified in their entirety by this cautionary statement.

In addition, this Appendix A contains historic financial, economic and demographic information regarding the City. Such information is limited to the time periods indicated and reflect data, assumptions and other information available as of the indicated dates. Certain of the information predates the COVID-19 pandemic. It is not possible to predict whether the trends shown will continue in the future.

Numbers in tables in this Appendix A may not sum to the total due to rounding.

OVERVIEW OF THE CITY'S FINANCIAL CONDITION

The COVID-19 Pandemic

The pandemic caused by the novel coronavirus COVID-19 (“COVID-19”) has had tremendous economic and social impacts on the City of Los Angeles (the “City”). The State, the County of Los Angeles (the “County”) and the City have taken various actions designed to mitigate the spread of COVID-19. Since March 2020, residents of the City have been subject to various orders and directives that suspended, reduced or prohibited various activities. Measures to combat the pandemic have been revised from time to time, becoming more or less restricting to reflect the then-current status of infections, hospitalizations and other factors. While several vaccines against COVID-19 have been approved and are being administered, the pandemic is ongoing. Although there are various indications of economic recovery, with new variants of the disease, and their duration and severity unknown, the ultimate economic effects remain uncertain.

The COVID-19 pandemic has materially adversely disrupted the national, regional and local economies, including the global supply chain; reductions in tourism, business travel, and travel-related industries; widespread business closures; and significantly higher levels of unemployment, all resulting in corresponding decreases in taxes and revenues.

For Fiscal Year 2020-21, receipts from the American Rescue Plan Act (“ARPA”) and other federal funds allowed the City to balance its operations despite continuing revenue losses. The three largest programs were the Coronavirus Relief Fund (the “CARES Act,” which provided \$125 million to the General Fund in Fiscal Year 2020-21), \$1.279 billion from the American Rescue Plan Act’s State and Local Fiscal Recovery Funds program (“ARPA”) and reimbursements from the Federal Emergency Management Agency (“FEMA”). The first installment of ARPA funds (\$639,450,464) was received on May 18, 2021 and the second equal installment is expected to be received in May 2022. While, the City will be required to submit periodic reports, and disqualified uses would be subject to recoupment, the City expects to meet the Treasury Department’s requirements for the entire amount. The City received FEMA reimbursements in the amount of \$30.8 million in 2020-21 and budgeted \$73.8 million for receipt in 2021-22. The City expects FEMA to reimburse 100 percent of eligible expenses, although the process for claiming and receiving reimbursements can be lengthy.

Although the nature and extent of the COVID-19 pandemic continues to evolve, the increasing size of the vaccinated population and declining infection rates have resulted in economic recovery that is expected to restore and increase certain City revenues. This recovery, combined with additional ARPA funding, has allowed the City to restore most of the funding reductions undertaken during the pandemic, and finance certain new and increased services, including services to the City’s homeless population, COVID-19 vaccinations and other emergency responses, and increases in capital spending. Nevertheless, various risks remain, including the possibility of increased infection levels, additional restrictive safety protocols (including business closures), slower than expected economic recovery and future budgetary imbalance resulting from the use of one-time revenues for ongoing expenditures during 2021-22. See “BUDGET AND FINANCIAL OPERATIONS – Fiscal Year 2020-21,” “– Fiscal Year 2021-22 Budget” and “– General Fund Budget Outlook.”

Fiscal Year 2020-21

The City's Fiscal Year 2020-21 Budget (the "2020-21 Budget") was based on assumptions formulated in and prior to April 2020, during the onset of the pandemic, and relied on data from prior recessions and the assumption that the City's then applicable "Safer at Home" orders would be lifted by the end of May 2020. At the time of budget adoption, the City recognized that these assumptions were no longer realistic, and that the Mayor and the Council would need to regularly revisit the revenue and expenditure projections and make adjustments throughout the year as the trends and potential shortfalls became clearer.

Because of the need to use reserves to address Fiscal Year 2019-20 pandemic-driven revenue shortfalls, the City began Fiscal Year 2020-21 with a Reserve Fund balance of \$262.5 million, or 3.9 percent of budgeted General Fund revenues. This represented a reduction of the Reserve Fund balance from \$407.3 million as of July 1, 2019 and was the first time since 2011-12 that the City began the fiscal year with a Reserve Fund balance less than 5 percent of General Fund revenues, the minimum prescribed by the City's Financial Policies ("Financial Policies").

Throughout the first half of the fiscal year, the shortfall between budget assumptions and realized receipts grew monthly, and by February 2021, the City's chief fiscal officer, the City Administrative Officer ("CAO"), reported that revenues could fall \$600 million below budgeted levels, which, combined with various expenditures that were in excess of budgeted amounts, would lead to a projected 2020-21 budget gap of \$750 million.

To address the projected budget shortfall, the City reached agreements with most of its employee organizations to defer previously scheduled wage increases, in exchange for the City refraining from using civilian layoffs, furloughs, and scheduled sidelining of fire engines or ambulances as possible budget balancing solutions in 2020-21. In addition, the Mayor and Council approved spending reductions, implemented a hiring moratorium, and curtailed certain City services.

However, federal assistance, particularly from ARPA, allowed the City to balance its budget without drawing on reserves or deficit borrowing. The City currently estimates growth in General Fund balance at the end of the fiscal year. See "BUDGET AND FINANCIAL OPERATIONS—Budgetary Reserves and Contingencies."

Fiscal Year 2021-22 Budget

The City's Fiscal Year 2021-22 Budget (the "2021-22 Budget") is balanced. While it projected a Reserve Fund balance of \$509 million as of July 1, 2021, the actual balance is now projected at \$647 million or 8.6 percent of General Fund revenues.

The 2021-22 Budget assumed the receipt of federal funds (including the second allocation of \$639.5 million of ARPA funds) and varying degrees of revenue recovery (depending on the underlying economic drivers that would constrain or boost growth). If vaccination efforts stall or if variants become pervasive or prove to be vaccine resistant, there is risk of new outbreaks prompting renewed restrictions and closures.

As a result of its substantial reliance on federal emergency funding, the 2021-22 Budget does not satisfy the portion of the City's Financial Policies prescribing that one-time revenues only be used for one-time expenditures. The 2021-22 Budget includes \$823.7 million in one-time revenues (including \$713.2 million in federal COVID-related funding and a \$85.1 million transfer

from the Reserve Fund) and \$691.2 million of one-time expenditures, which results in \$132.5 million of one-time revenues being allocated towards ongoing expenditures. Some of these one-time expenditures are for services that are unrelated to the pandemic. The City may consider to fund such expenditures in the future.

The Four-Year Budget Outlook (the “Outlook”), prepared annually in connection with the budget and last updated in connection with the Fiscal Year 2021-22 Budget projected budget shortfalls of \$260.9 million in 2022-23, \$135.3 million in 2023-24, and \$47.3 million in 2024-25 which, if they materialize, must be addressed as part of that year’s annual budget process. As it projects budget gaps in the initial years, the 2021-22 Budget does not achieve the policy goal of achieving structural balance. The Outlook projected a surplus of \$157.3 million in 2025-26, the last year of the projection period. These projections assume that there will be no employee compensation increases during, or following the expiration of, the current employee agreements, which are subject to reopeners, through the remainder of the projection period. The Outlook also does not include potentially large capital expenditures, including potential expenditures in connection with the City’s Civic Center Master Plan, the Los Angeles Convention Center, restoration of the Los Angeles River, or mitigation of stormwater pollution, and makes certain assumptions regarding economic recovery as the pandemic subsides.

Certain Significant Challenges

Homelessness. The City faces challenges in connection with its large homeless population. The pandemic has significantly increased the demands and costs of serving this particularly vulnerable population, although a significant share of those costs is expected to be reimbursed from federal and State funds. The 2021-22 Budget allocates \$960.6 million to combatting homelessness, consisting of \$801.6 million in new funding (including \$224.6 million from the General Fund and \$577.0 million from various special funds), and approximately \$159 million in CARES Act funding carried over from prior years.

In addition to the spending included in the 2021-22 Budget for homelessness, there are several proposals for affordable housing acquisition and development and homeless outreach services that may be considered by the Mayor and City Council during 2021-22. These proposals, which are being developed, may include new funding in the range of \$120 million, which would impact the Reserve Fund if the City cannot identify other funding sources. See “BUDGET AND FINANCIAL OPERATIONS—Budgetary Reserves and Contingencies.”

The City is subject to a lawsuit for violating various State and federal laws in connection with the City’s and County’s alleged failures in responding to homelessness, which may increase the City’s financial obligations beyond the approximately \$960.6 million already allocated in the 2021-22 Budget. See “LITIGATION – *LA Alliance for Human Rights et al. v. City of Los Angeles et al.*”

In connection with that lawsuit, which is ongoing, in June 2020 the City agreed to a court-approved agreement to provide 6,700 shelter beds, permanent supportive housing units, safe parking spaces and other interventions (collectively, “beds” or “interventions”) to shelter homeless individuals. These 6,700 interventions are comprised of 5,300 new beds within 10 months, 700 beds under current City-County agreements within 10 months, and another 700 beds over 18 months for homeless individuals who live near freeways as well as those over 65 years old or most vulnerable to COVID-19. A preliminary estimate of the capital cost is \$200 million. As of June 2,

2021, 6,000 net new homeless interventions approved by the City were expected to be open by December 16, 2021. The City estimates that the annual cost of operations and services for these interventions is \$104 million, of which the County has agreed to pay the City up to \$60 million per year for five years. The City has committed to fund the remaining balance of the estimated annual operations and services costs. While the City anticipates that all of these obligations will be financed in 2021-22 with COVID-related federal and State funds, and County funds for services, in future years these obligations could result in additional expenditures from the City's General Fund.

On April 20, 2021, the District Court issued a preliminary injunction that, among other things, ordered the City to place \$1 billion into an escrow account for an accounting of its uses (reflecting the approximate amount that the City allocated to homelessness in the 2021-22 Budget) and ordered the City and County to offer housing to Skid Row residents within 90 days in the case of unaccompanied women and children, within 120 days in the case of families and within 180 days in the case of the general population.

The City and County appealed the District Court's preliminary injunction to the Ninth Circuit Court of Appeals on April 21, 2021. On or about September 23, 2021, the Ninth Circuit vacated the District Court's April 21, 2021 preliminary injunction. The City will no longer be compelled to comply with the terms of the April 21, 2021 preliminary injunction. The District Court case will continue to proceed.

Federal Accessibility Law Matter.

The City has dealt with a number of claims and lawsuits pertaining to compliance with federal accessibility laws as described under "LITIGATION." The City is currently in litigation with the U.S. Department of Justice ("DOJ") over the City's alleged violation of the False Claims Act in connection with certain federal accessibility law compliance certifications. If the DOJ is successful, the City could face potential exposure to treble damages, which, based on certain private parties' original complaint, was estimated to be \$3 billion. Due to the preliminary nature of the matter, an estimable liability amount is difficult to ascertain at this time.

MUNICIPAL GOVERNMENT

The City provides a full range of governmental services, which include police, fire and paramedics; residential refuse collection and disposal, wastewater collection and treatment, street maintenance, traffic management, storm water pollution abatement, and other public works functions; enforcement of ordinances and statutes relating to building safety; public libraries, recreation and parks and cultural events; community development, housing and aging services; and planning. The City also operates and maintains the water and power utilities, harbor and airport, all served by proprietary departments within the City.

The City is a charter city; under the State Constitution, charter cities such as the City are generally independent of the State Legislature in matters relating to municipal affairs. Charter cities, however, are subject to State Constitutional restrictions; see "LIMITATIONS ON TAXES AND APPROPRIATIONS." The most recent charter was adopted in 1999, became effective July 1, 2000, and has been amended a number of times by voter approval. In an amendment approved by voters in 2015 (Charter Amendment 1), the City's primary and general election dates were moved to June and November of even-numbered years, beginning in 2020, in order to align them

with federal and State elections. The measure also extended the terms of officials elected in 2015 and 2017; these candidates were given five and a half year terms instead of the customary four to transition to the new election dates.

The City is governed by the Mayor and the Council. The Mayor is elected at-large for a four-year term. As executive officer of the City, the Mayor has the overall responsibility for administration of the City. The Mayor recommends and submits the annual budget to the Council and passes upon subsequent appropriations and transfers, approves or vetoes ordinances, and appoints certain City officials and commissioners. The Mayor supervises the administrative process of local government and works with the Council in matters relating to legislation, budget, and finance. The Mayor operates an executive department, of which he is the ex-officio head. The current Mayor, Eric Garcetti, assumed office on July 1, 2013 and was elected to a second term on March 7, 2017, which will end in 2022 due to the change in election dates. President Biden has nominated Mr. Garcetti to serve as the United States ambassador to India; his nomination is pending Senate confirmation.

The Council, the legislative body of the City, is a full-time council. The Council enacts ordinances subject to the approval of the Mayor and may override the veto of the Mayor by a two-thirds vote. The Council orders elections, levies taxes, approves utility rates, authorizes public improvements, approves contracts, adopts zoning and other land use controls, and adopts traffic regulations. The Council adopts or modifies the budget proposed by the Mayor. It authorizes the number of employees in budgetary departments, creates positions and fixes salaries. The Council consists of 15 members elected by district for staggered four-year terms.

The other two elective offices of the City are the Controller and the City Attorney, both elected for four-year terms. The Controller is the chief accounting officer for the City. The current Controller, Ron Galperin, assumed office on July 1, 2013, and was elected to a second term on March 7, 2017, which will end in 2022 due to the change in election dates.

The City Attorney is attorney and legal advisor to the City and to all City boards, departments, officers, and entities, and prosecutes misdemeanors and violations of the Charter and City ordinances. The current City Attorney, Mike Feuer, assumed office on July 1, 2013, and was elected to a second term on March 7, 2017, which will end in 2022 due to the change in election dates.

All citywide elected officials are subject to term limits of two four-year terms, while Council members are subject to term limits of three four-year terms. Any vacancies in the offices of Mayor, City Attorney, Controller and members of the City Council may be filled by Council by appointment (for a term up to the next second Monday in December of an even-numbered year) or special election. Upon any vacancy in the office of Mayor, the President of the Council shall immediately act as the Mayor and assume the powers and duties of the office while also continuing to perform the functions of member and President of the Council. The Council President will serve in this capacity as Acting Mayor until the office is filled by appointment or special election as provided in the Charter.

The CAO is the chief fiscal advisor to the Mayor and Council and reports directly to both. The CAO is appointed by the Mayor, subject to Council confirmation. Matt Szabo was confirmed as the CAO by Council on June 16, 2021. Mr. Szabo has worked for the City in various capacities for over 20 years, and most recently served as the Mayor's Deputy Chief of Staff.

The Office of Finance (“Finance”) serves as the custodian of all funds deposited in the City Treasury and all securities purchased by the City. Finance actively manages the investment of the City's general and special pool investment portfolios and cash programs. Finance also issues those licenses, permits, and tax registration certificates not issued by other city departments, including business tax certificates. The Director of Finance is appointed by the Mayor and confirmed by the Council. Diana Mangioglou has served as Director of Finance and City Treasurer since July 2020.

The City has 41 departments and bureaus for which operating funds are annually budgeted by the Council. Two of these departments, Youth Development and Community Investment for Families, were new as of July 1, 2021. Two additional departments, the Los Angeles City Employees’ Retirement System (“LACERS”) and the Los Angeles Fire and Police Pension Plan (“LAFPP”), are under the control of boards whose memberships consist of mayoral appointees and representatives elected by system members. In addition, three departments (the Department of Water and Power (“DWP”), the Harbor Department, and the Department of Airports) and one State-chartered public agency (the Housing Authority of the City) are under the control of boards appointed by the Mayor and confirmed by the Council.

BUDGET AND FINANCIAL OPERATIONS

Financial Reporting and Fiscal Year 2019-20 Results

The City prepares its financial statements in accordance with Generally Accepted Accounting Principles as promulgated by the Government Accounting Standards Board (“GASB”). Since 1999, GASB has required that basic financial statements include government-wide financial statements, which are designed to provide readers with a broad overview of the City’s finances. These statements are prepared using accounting methods similar to those used by private-sector businesses, including the accrual basis of accounting. The government-wide statement of net position presents information on all the City’s assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Various GASB rules have required the inclusion of both pension and retiree health liabilities in the government-wide financial statements. The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). Governmental activities are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The City’s Comprehensive Annual Financial Report (the “Annual Financial Report”) for the Fiscal Year Ended June 30, 2020 reported a deficit balance for the governmental activities’ unrestricted net position of \$7.445 billion, which was mainly due to a net pension liability of \$6.667 billion, net OPEB liability of \$2.014 billion, and deferred financing of certain liabilities (including claims and judgments, workers’ compensation, and compensated absences).

The primary focus of the Annual Financial Report is reporting on fund financial statements, designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities. The General Fund is the primary operating fund of the City, and the focus of this Appendix A. It is used to account for all

financial resources of the general government, except those required to be accounted for in other funds.

The following two tables summarize financial information for the General Fund contained in the City's audited Basic Financial Statements prepared in accordance with Generally Accepted Accounting Principles ("GAAP") for the periods indicated. Results for Fiscal Year 2019-20 reflect an operating deficit and \$141 million reduction to Fund Balance resulting from the impact of the pandemic in the latter part of the fiscal year.

Table 1
BALANCE SHEETS FOR THE GENERAL FUND
For Fiscal Years Ending June 30
(\$ in thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Assets					
Cash and Pooled Investments ⁽¹⁾	\$1,135,914	\$1,137,680	\$1,058,705	\$1,291,607	\$1,433,584
Other Investments	-	-	-	-	451
Taxes Receivable	749,917	650,932	669,205	675,777	682,470
Accounts Receivable	124,661	116,666	107,631	109,123	127,181
Special Assessments Receivable	3,691	3,421	3,040	3,174	2,863
Investment Income Receivable	7,376	7,992	12,985	15,680	10,014
Intergovernmental Receivable	125,862	133,018	143,773	149,002	152,247
Loans Receivable	-	-	-	-	42
Due from Other Funds	109,640	68,638	115,287	84,183	196,394
Inventories	36,045	33,158	33,004	46,653	42,053
Prepaid Items and Other Assets	10	5	5	7	11
Advances to Other Funds	8,155	12,317	8,814	8,688	20,831
Total Assets	\$2,301,271	\$2,163,827	\$2,152,449	\$2,383,894	\$2,668,141
Liabilities:					
Accounts, Contracts and Retainage Payable	\$ 77,061	\$ 87,887	\$ 83,488	\$ 93,312	\$ 254,392
Obligations Under Securities Lending Transactions	36,108	13,914	33,339	21,874	13,799
Accrued Salaries and Overtime Payable	182,250	192,538	203,015	221,902	252,022
Accrued Compensated Absences Payable	17,733	9,887	9,254	8,381	7,912
Estimated Claims and Judgments Payable	54,364	65,534	69,831	66,284	35,741
Intergovernmental Payable	397	579	493	56	1,010
Due to Other Funds	84,503	90,237	133,283	141,905	188,702 ⁽⁵⁾
Unearned Revenue	10	421	972	1,535	-
Deposits and Advances	24,793	34,724	9,094	12,974	9,184
Advances from Other Funds	32,775	24,032	18,391	12,499	131,093
Other Liabilities	71,264	143,892	45,737	37,248	53,177
Total Liabilities	\$ 581,258	\$ 663,645	\$ 606,897	\$ 617,970	\$ 947,032
Deferred Inflows of Resources					
Real Estate Tax	\$ 55,325	\$ 58,304	\$ 62,674	\$ 68,813	\$ 88,615
Taxes Other than Real Estate	417,584	348,324	344,215	377,206	398,251
Receivables from Other Government Agencies	120,010	121,432	125,663	131,890	129,309
Interest Receivable on Loans and Others	-	-	-	-	112,805
Other Deferred Inflows of Resources	98,729	85,894	83,785	81,974	-
Total Deferred Inflows of Resources	\$ 691,648	\$ 613,954	\$ 616,337	\$ 659,883	\$ 728,980
Fund Balances					
Nonspendable ⁽²⁾	\$ 44,210	\$ 45,480	\$ 41,823	\$ 55,348	\$ 62,895
Restricted	-	-	-	-	-
Committed	1,296	9,723	25,151	33,092	37,386
Assigned ⁽³⁾	392,418	304,482	289,080	334,195	356,167
Unassigned ⁽⁴⁾	590,441	526,543	573,161	683,406	535,681
Total Fund Balances	\$1,028,365	\$ 886,228	\$ 929,215	\$1,106,041	\$ 992,129
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$2,301,271	\$2,163,827	\$2,152,449	\$2,383,894	\$2,668,141

(1) Includes securities held under securities lending transactions, offset by the Liability "Obligations Under Securities Lending Transactions."

(2) Includes inventories and certain advances to other funds.

(3) Includes encumbrances, various revolving funds, and certain net receivables.

(4) Primarily consists of the City's Reserve Fund and Budget Stabilization Fund.

(5) Includes approximately \$79 million to be paid to the City's wastewater enterprise fund, which may be accelerated in connection with potential budgetary constraints of the wastewater enterprise fund.

Source: City of Los Angeles, Comprehensive Annual Financial Reports.

Table 2
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES FOR THE GENERAL FUND
For Fiscal Years Ending June 30
(\$ in thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues:					
Property Taxes	\$1,808,486	\$1,857,683	\$1,958,033	\$2,075,764	\$2,213,899
Sales Taxes	437,775	521,910	534,236	596,465	536,362
Utility Users Taxes	614,814	611,160	640,711	606,369	643,564
Business Taxes	507,635	546,494	534,994	617,169	668,035
Other Taxes	586,375	641,755	688,804	729,649	620,653
Licenses and Permits	32,728	37,133	38,777	34,157	34,999
Intergovernmental	20,691	15,337	17,822	23,062	27,284
Charges for Services	318,462	243,379	315,900	306,462	351,983
Services to Enterprise Funds	317,265	328,511	316,245	326,650	368,706
Fines	152,304	147,023	141,346	135,526	113,643
Special Assessments	1,869	1,490	1,755	1,825	769
Investment Earnings	38,891	25,353	33,024	84,257	99,248
Change in Fair Value of Investments ⁽¹⁾	-	(23,740)	(26,754)	-	-
Other	55,742	54,116	55,039	99,717	65,406
Total Revenues	\$4,893,037	\$5,007,604	\$5,249,932	\$5,637,072	\$5,744,551
Expenditures:					
Current:					
General Government	\$1,316,146	\$1,356,842	\$1,332,676	\$1,336,331	\$1,553,572
Protection of Persons and Property	2,797,742	2,874,117	2,963,819	3,095,356	3,269,764
Public Works	112,473	268,201	186,390	193,846	219,657
Health and Sanitation	131,438	87,722	95,705	111,680	107,329
Transportation	105,354	129,893	119,240	107,590	102,720
Cultural and Recreational Services	57,815	12,222	61,996	61,120	52,220
Community Development	2,391	79,002	39,074	54,000	84,944
Capital Outlay	46,467	23,359	27,858	110,000	54,241
Debt Service: Interest	4,339	9,116	13,524	23,538	19,609
Debt Service: Cost of Issuance	807	931	763	518	559
Total Expenditures	\$4,574,972	\$4,841,405	\$4,841,045	\$5,093,979	\$5,464,615
Excess (Deficiency) of Revenues Over Expenditures	\$ 318,065	\$ 166,199	\$ 408,887	\$ 543,093	\$ 279,936
Other Financing Sources (Uses)					
Transfers In	\$ 349,928	\$ 297,649	\$ 277,315	\$ 265,723	\$ 292,948
Transfers Out ⁽²⁾	(600,527)	(603,044)	(643,061)	(724,032)	(714,147)
Loans from Capital Leases	-	-	-	78,393	-
Total Other Financing Sources (Uses)	(250,599)	(305,395)	(365,746)	(\$379,916)	(\$421,199)
Net Change in Fund Balance	67,466	(139,196)	43,141	163,177	(141,263)
Fund Balances, July 1	945,549	1,028,311 ⁽³⁾	886,228	929,215	1,106,041
Cumulative Effect of Change in Accounting Principle ⁽³⁾	-	-	-	-	27,351
(Decrease) Increase in Reserve for Inventories	15,350	(2,887)	(154)	13,649	-
Fund Balances, July 1 Restated	-	-	-	-	1,133,392
Fund Balances, June 30	\$1,028,365 ⁽⁴⁾	\$ 886,228	\$ 929,215	\$1,106,041	\$ 992,129

⁽¹⁾ Typically, any losses due to fair market valuation is netted out of interest earnings. Losses were reported separately in Fiscal Year 2016-17 and Fiscal Year 2017-18 to provide a more meaningful picture of real investment earnings.

⁽²⁾ Includes transfers to other funds to pay for General Fund lease-financing obligations, parks and recreational facilities, libraries, housing and community programs, arts and cultural facilities, and other departmental operations.

⁽³⁾ In compliance with implementation guidelines for GASB Statement 84, certain activities were re-categorized from a Fiduciary Fund type to the appropriate governmental funds, including the General Fund as reported above.

⁽⁴⁾ In compliance with GASB implementation guidelines on fund categories, certain funds were reassigned between Special Revenue Fund type and General Fund type, thereby resulting in the differences in fund balances.

Source: City of Los Angeles, Comprehensive Annual Financial Reports.

City's Budgetary Process

The City's fiscal year extends from July 1 through June 30. Under the Charter, the Mayor is required each year to submit to the Council a Proposed Budget (the "Proposed Budget") by April 20. The Proposed Budget is based on the Mayor's budget priorities and includes estimates of receipts from the City's various revenue sources. By Charter, the Mayor presents and the Council adopts a balanced budget with no deficit.

The Mayor's Proposed Budget is reviewed by the Council's Budget and Finance Committee, which reports its recommendations to the full Council. The Council is required by Charter to adopt the Mayor's Proposed Budget, as modified by the Council, by June 1. If Council does not act on the Mayor's Proposed Budget by June 1, pursuant to the City Charter, the Mayor's Proposed Budget becomes the City Budget for the ensuing fiscal year, which occurred in 2020 with respect to the 2020-21 Budget. If the Council acts and modifies the Mayor's Proposed Budget, the Mayor has five working days after adoption to approve or veto any items modified by the Council. The Council then has five working days to override by a two-thirds vote any items vetoed by the Mayor. After that time, the budget becomes the "Adopted Budget."

The budget is subject to revision throughout the fiscal year to reflect any changes in revenue and expenditure projections. During the fiscal year, the City monitors its revenues, expenditures and reserve estimates. As instructed by the Mayor and Council, the CAO issues interim financial status reports (each an "FSR") as deemed necessary. These reports identify various potential expenditures that could exceed budgeted amounts and recommend transfers to address them. These reports also update revenue projections and the condition of budgetary reserves and raise issues of concern. These and other changes approved by the Mayor and Council throughout the fiscal year become the basis of the "revised budget" reported in each subsequent year's proposed and Adopted Budget.

Additional information concerning the City's financial condition may be found on the website of the CAO at <http://cao.lacity.org/budget/FSR.htm>; except for the discussion below, such information is not incorporated as part of this Official Statement.

Fiscal Year 2020-21

The COVID-19 pandemic became a global crisis approximately one month before the release of the City's Fiscal Year 2020-21 Proposed Budget. At the time of budget development, the pandemic's effect on the local economy was just beginning and the City's revenue projections were not based on any actual economic data or fully equivalent historical precedence that could indicate how the pandemic would impact the local economy.

The depth of the pandemic and its impact on the economy was far greater than anticipated in the 2020-21 Budget. At one point, the City projected revenue shortfalls as high as \$600 million, and additional overspending of \$150 million. In addition, the 2020-21 Budget was also exposed to the risk of shortfalls in special fund revenues, particularly those that derived their revenues from sales tax, gas tax, admissions fees, and parking receipts, or from attendance, such as the City Zoo and the El Pueblo Historical Monument.

The City took a number of steps to address its revenue shortfalls. It reduced appropriations by \$158 million, supported by restrictions on hiring, overtime, and contracting, that in many cases negatively impacted services.

The City also engaged with its labor organizations on concession proposals to mitigate the need for layoffs and furloughs in 2020-21. The City reached agreements with most of its civilian and sworn unions to defer previously scheduled wage increases. In exchange, the City eliminated all unpaid furloughs planned for 2020-21, committed to no layoffs through June 30, 2021, and will fund at least \$70 million for police overtime in each of the next three years to reduce the banking of time off in lieu of payment. Fire service level provisions that prohibit the scheduled sidelining of fire engines or ambulances as possible budget balancing solutions were also agreed to through 2023-24. See “BUDGET AND FINANCIAL OPERATIONS–Budget Outlook” and “–Labor Relations.”

The City received significant funding from the CARES Act and the ARPA, which allowed the City to finance Fiscal Year 2020-21 expenditures without relying on many of the budget balancing measures the City had identified in its FSRs. The ARPA funding, in particular, was sufficient to offset the City’s 2020-21 revenue shortfall. Among other things, the City did not need to deplete its reserves or issue commercial paper for operating purposes.

Fiscal Year 2021-22 Budget

The Mayor released his Fiscal Year 2021-22 Proposed Budget on April 20, 2021. The Council’s Budget and Finance Committee held hearings on the Budget between April 27 and May 14, 2021. The Council deliberated on the budget on May 20, 2021 and adopted the budget on May 26, 2021. The Mayor signed the budget on June 2, 2021.

The 2021-22 Budget reflects a significant reversal from the prior year, with ARPA funding accounting for an additional \$639.5 million in revenues, which will be available for eligible General Fund expenditures. The 2021-22 Budget also assumes no additional closures as a result of COVID-19, and varying degrees of revenue recovery (depending on the underlying economic drivers that would constrain or boost growth). However, if vaccination efforts stall or if COVID-19 variants prove to be pervasive or vaccine resistant, there is a risk that an increase in infection rates or other new outbreaks may result in renewed restrictions, which would ultimately negatively impact revenues. While total General Fund revenue budgeted for 2021-22 represents a 1.5 percent increase from the 2020-21 Budget, excluding the impact of federal funding, it represents 10.2 percent growth from actual revenues estimated for 2020-21. The expected recovery in many of the City’s tax and other revenue sources, combined with federal funds, will allow the City to restore and expand certain services.

The following table presents the 2021-22 Budget and the Adopted Budgets for the preceding Fiscal Years. These budgets include the General Fund and most special revenue funds, but exclude those operations not under the direct control of the Council (i.e., Airports, Harbor, Water and Power departments, LACERS and LAFPP). The table does not reflect changes made to the budgets subsequent to their original adoption, which for Fiscal Year 2019-20 and 2020-21 in particular were substantial due to pandemic-related revenue shortfalls. With respect to both the historical budgetary information and the projected budgetary information set forth below and elsewhere in this Appendix A, it is not possible to predict whether the trends set forth in the tables will continue in the future.

Table 3
CITY OF LOS ANGELES ADOPTED BUDGET
(ALL BUDGETED FUND TYPES)

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Revenues					
General Fund					
Property Taxes ⁽¹⁾	\$1,833,755,000	\$1,961,509,000	\$2,115,611,000	\$2,297,080,000	\$2,400,250,000
Property Tax – Ex-CRA Tax Increment	74,168,000	97,252,000	100,386,000	95,900,000	111,990,000
Other Taxes ⁽²⁾	2,327,666,000	2,449,948,000	2,564,605,000	2,424,603,000	2,442,702,000
Licenses, Permits, Fees and Fines ⁽³⁾	1,247,823,015	1,350,888,130	1,432,853,292	1,560,189,689	1,466,009,998
Intergovernmental ⁽⁴⁾	242,500,000	238,000,000	235,600,000	224,100,000	225,819,000
Other General Fund ⁽⁵⁾	76,586,999	60,861,940	83,994,246	50,856,187	835,848,794
Interest	23,957,000	32,137,000	36,700,000	34,613,000	20,603,000
Total General Fund Revenue	\$5,826,456,014	\$6,190,596,070	\$6,569,749,538	\$6,687,341,876	\$7,503,222,792
Special Purpose Funds					
Charges for Services and Operations ⁽⁶⁾	\$1,561,406,303	\$1,625,828,317	\$1,832,475,709	\$1,713,546,262	\$1,847,751,480
Transportation Funds ⁽⁷⁾	393,912,507	496,879,264	618,102,159	597,452,919	723,456,411
Intergovernmental ⁽⁸⁾	79,656,836	86,886,108	86,722,284	81,462,581	88,583,085
Special Assessments ⁽⁹⁾	89,023,545	100,302,644	147,298,081	141,094,694	142,634,911
Other Special Funds	525,722,289	539,171,433	532,703,902	553,533,278	1,055,314,446
Available Balances	693,324,603	740,937,349	784,687,123	628,390,708	640,068,929
Total Special Fund Revenue	\$3,343,046,083	\$3,590,005,115	\$4,001,989,258	\$3,715,480,442	\$3,857,741,333
City Levy for Bond Redemption and Interest	122,623,642	119,167,296	138,339,047	128,455,723	119,324,987
Total Receipts	\$9,292,125,739	\$9,899,768,481	\$10,710,077,843	\$10,531,278,041	\$11,480,288,112
Appropriations by Funding Source					
General Fund					
Fire Department	\$ 639,273,170	\$ 662,270,767	\$ 682,509,340	\$ 723,143,241	\$737,168,351
Police Department	1,517,200,993	1,551,479,094	1,676,632,617	1,796,387,613	1,702,988,343
Other Budgetary Departments	1,178,595,853	867,370,474	971,170,179	886,359,305	965,733,465
Tax and Revenue Anticipation Notes ⁽¹⁰⁾	1,114,644,814	1,208,676,507	1,302,296,587	1,323,536,029	1,333,686,071
Capital Finance Administration ⁽¹¹⁾	209,459,534	221,353,665	223,750,313	211,750,313	224,436,534
Human Resources Benefits	682,788,227	730,656,927	743,564,377	800,593,969	774,377,710
Other General Fund Appropriations	484,493,423	948,788,636	969,826,125	945,571,406	1,764,832,318
Total General Fund	\$5,826,456,014	\$6,190,596,070	\$6,569,749,538	\$6,687,341,876	\$7,503,222,792
Special Purpose Funds					
Budgetary Departments	\$1,090,933,010	\$1,109,884,995	\$1,206,897,557	\$1,156,287,496	\$1,197,358,719
Appropriations to Proprietary Departments	102,313,802	102,313,802	117,561,561	113,351,104	129,147,678
Capital Improvement Expenditure Program	343,304,288	362,899,021	428,132,311	346,768,984	355,098,353
Wastewater Special Purpose Fund	521,469,820	559,438,564	597,021,942	576,990,112	576,990,112
Appropriations to Special Purpose Funds	1,285,025,163	1,455,468,733	1,652,375,887	1,522,082,746	1,599,145,471
Total Special Funds	\$3,343,046,083	\$3,590,005,115	\$4,001,989,258	\$3,715,480,442	\$3,857,740,333
Bond Redemption and Interest Funds					
General Obligation Bonds	\$ 122,623,642	\$ 119,167,296	\$ 138,339,047	\$ 128,455,723	\$ 119,324,987
Total (All Purposes)	<u>\$9,292,125,739</u>	<u>\$9,899,768,481</u>	<u>\$10,710,077,843</u>	<u>\$10,531,278,041</u>	<u>\$11,480,288,112</u>

⁽¹⁾ Property taxes include all categories of the City allocation of 1% property tax collections such as secured, unsecured, State replacement, redemptions and penalties, supplemental receipts and other adjustments and is net of refunds and County charges. Also included are property taxes remitted to the City as replacement revenue for both State Vehicle License Fees and sales and use taxes.

⁽²⁾ Other taxes include utility users tax, business tax, sales tax, transient occupancy tax, documentary transfer tax, parking occupancy tax, and residential development tax. See “MAJOR GENERAL FUND REVENUE SOURCES” for a discussion of these taxes.

⁽³⁾ This item has been renamed “Departmental Receipts” beginning with the Fiscal Year 2020-21 Budget. Also includes State Vehicle License Fees, parking fines and franchise income.

⁽⁴⁾ Intergovernmental revenues include proprietary departments’ transfers.

⁽⁵⁾ Other General Fund receipts include grant receipts, tobacco settlement, transfers from the Special Parking Revenue Fund, Telecommunications Development Account Fund, and any transfers from the Reserve Fund or the Budget Stabilization Fund. For 2021-22, this item includes one-time revenues from the American Rescue Plan Act.

⁽⁶⁾ Major revenue sources include the Sewer Construction and Maintenance Fund, the Convention Center Revenue Fund, the Special Parking Revenue Fund, the Zoo Enterprise Fund, the Building and Safety Building Permit Enterprise Fund, the Street Damage and Restoration Fee, and the Refuse Collection Fee.

⁽⁷⁾ Revenue sources include the Special Gas Tax Street Improvement Fund, the Proposition A Local Transit Improvement Fund, the Proposition C Anti-Gridlock Transit Improvement Fund, the Measure R Traffic Relief and Rail Expansion Fund, and the Measure M Local Return Fund.

⁽⁸⁾ Intergovernmental receipts include the Community Development Block Grant, the Local Public Safety Fund, and the Workforce Innovation Opportunity Act Fund.

⁽⁹⁾ Special Assessments include the Street Lighting Maintenance Assessment Fund, the Stormwater Pollution Abatement Fund, the Measure W – Safe, Clean Water - Regional Projects Special Fund, and the Measure W – Safe, Clean Water – Municipal Program Special Fund.

⁽¹⁰⁾ A significant portion of the City’s TRAN proceeds are used to pay the annual contribution to LACERS and LAFPP. The budget line item for TRAN repayment is primarily for principal for this portion of the program and is made in lieu of direct appropriations for contributions to the two retirement systems. See “FINANCIAL OPERATIONS – Retirement and Pension Systems.” Interest due on the TRAN is also included in this line item.

⁽¹¹⁾ This fund is used to make lease payments on various lease revenue bonds, privately placed leases and commercial paper notes.

Source: City of Los Angeles, Office of the City Administrative Officer.

General Fund Budget Outlook

The CAO periodically prepares a four-year Outlook, which compares projected revenues to projected expenditures in order to identify trends and potential future pressures. The most recent Outlook, presented below, was prepared in connection with the 2021-22 Budget (referred to as “the Outlook,” herein).

The Outlook assumed the availability of ARPA funding as a major General Fund revenue source for Fiscal Year 2021-22. The Outlook did not project any major General Fund increase in capital spending. See, however, the large potential projects noted in the discussion of “BUDGET AND FINANCIAL OPERATIONS – Capital Program.”

The Outlook also assumed that the City will not continue a significant portion of one-time spending from the 2021-22 Budget, even though there may be pressure to continue some of these new programs or temporary service increases to existing programs. Examples of higher-cost programs that use one-time funding include various homelessness and eviction prevention programs (\$89 million), a guaranteed basic income program (\$29 million), various business assistance programs (\$60 million), neighborhood services enhancements (\$30 million), and an expansion of the senior meals program (\$10 million). Continuing these or other programs designated as one-time would exacerbate future-year budget gaps. In addition, the Outlook assumed that the two pension systems would achieve 14 percent investment returns in 2020-21, which is lower than the approximately 30 percent returns the two pension systems experienced in 2020-21 and will reduce future-year budget gaps.

The Outlook reflected salary increases as set forth in the labor agreements that are currently in effect, including delayed salary increases in 2021-22. See “BUDGET AND FINANCIAL OPERATIONS–Labor Relations.” Various labor agreements include provisions for reopeners from time to time. The Outlook does not assume salary increases other than those already negotiated, including any that may result from the reopeners, during the projection period.

Each Outlook the CAO prepares begins with a balanced budget for the current budget year, in compliance with the City’s requirement to adopt a balanced budget, and projects revenue and expenditure changes for the next four fiscal years. While the Outlook does not demonstrate structural balance, as it projects deficits in the first three future years, prior Outlooks have usually projected such budget deficits as well. The Outlook does not assume any ongoing budget balancing measures, and therefore deficits are compounded from year to year. The projected budgets for future fiscal years reflect the impacts of current year assumptions and need not reflect a balanced budget, as any shortfalls will be addressed at the adoption of the budget for the applicable fiscal year.

Table 4
GENERAL FUND BUDGET OUTLOOK
As prepared and updated in connection with the Fiscal Year 2021-22 Budget
(\$ in millions)

	Adopted 2021-22	2022-23	2023-24	2024-25	2025-26
<u>Estimated General Fund Revenues:</u>					
General Fund Base ⁽¹⁾	\$ 6,687.3	\$ 7,503.2	\$ 7,169.60	\$ 7,493.9	\$ 7,758.5
Revenue Growth ⁽²⁾					
Property Related Taxes ⁽³⁾	131.5	130.4	109.5	130.2	136.3
Business and Sales Taxes ⁽⁴⁾	79.6	107.4	75.3	63.8	52.4
Utility Users Tax ⁽⁵⁾	(9.6)	3.1	5.8	8.3	10.7
Departmental Receipts ⁽⁶⁾	(90.5)	118.2	75.0	38.8	39.9
Other Fees, Taxes, and Transfers ⁽⁷⁾	(0.5)	16.8	58.8	23.5	18.1
American Rescue Plan (ARPA) Fund Transfer ⁽⁸⁾	639.5	(639.5)	-	-	-
SPRF Transfer ⁽⁹⁾	(19.2)	15.0	-	-	-
Transfer from the Budget Stabilization Fund ⁽¹⁰⁾	-	-	-	-	-
Transfer from Reserve Fund ⁽¹¹⁾	85.1	(85.1)	-	-	-
Total Revenues	\$ 7,503.2	\$ 7,169.6	\$ 7,493.9	\$ 7,758.5	\$ 8,015.9
<i>General Fund Revenue Increase (Decrease)%</i>	<i>12.2%</i>	<i>(4.4)%</i>	<i>4.5%</i>	<i>3.5%</i>	<i>3.3%</i>
<i>General Fund Revenue Increase (Decrease) \$</i>	<i>815.9</i>	<i>(333.7)</i>	<i>324.4</i>	<i>264.6</i>	<i>257.4</i>
<u>Estimated General Fund Expenditures:</u>					
General Fund Base ⁽¹²⁾	\$6,687.3	\$7,503.2	\$7,430.4	\$7,629.2	\$7,805.8
Incremental Changes to Base ⁽¹³⁾					
Employee Compensation Adjustments ⁽¹⁴⁾	112.9	259.5	97.5	69.9	60.0
City Employees' Retirement System ⁽¹⁵⁾	68.8	84.3	9.3	7.4	(37.4)
Fire and Police Pensions ⁽¹⁵⁾	(30.2)	43.0	19.9	(5.5)	(63.2)
Workers Compensation Benefits ⁽¹⁶⁾	(17.2)	0.2	8.3	8.9	10.2
Health, Dental and Other Benefits ⁽¹⁷⁾	(9.0)	21.0	32.9	34.8	37.0
Debt Service ⁽¹⁸⁾	12.7	(33.9)	(5.7)	7.5	(1.7)
Delete Resolution Authorities ⁽¹⁹⁾	(87.3)	-	-	-	-
Add New and Continued Resolution Authorities ⁽¹⁹⁾	95.4	-	-	-	-
Delete One-Time Costs ⁽²⁰⁾	(19.6)	(124.6)	-	-	-
Add One-Time Costs ⁽²⁰⁾	178.5	-	-	-	-
Comprehensive Homeless Strategy ⁽²¹⁾	111.3	(96.0)	-	-	-
Unappropriated Balance ⁽²²⁾	420.2	(352.2)	-	-	-
CTIEP-Municipal Facilities and Physical Plant ⁽²³⁾	52.1	(35.8)	4.9	4.0	3.9
CTIEP-Sidewalks ⁽²⁴⁾	8.4	6.8	-	-	-
CTIEP-Pavement Preservation ⁽²⁵⁾	6.6	18.5	3.0	3.1	3.1
Appropriation to the Reserve Fund ⁽²⁶⁾	(12.3)	-	-	-	-
Appropriation to the Budget Stabilization Fund ⁽²⁷⁾	-	21.2	(19.2)	(2.0)	-
Net-Other Additions and Deletions ⁽²⁸⁾	(75.4)	115.2	47.9	48.5	40.9
Total Expenditures	\$ 7,503.2	\$ 7,430.4	\$ 7,629.2	\$ 7,805.8	\$ 7,858.6
<i>Expenditure Growth (Reduction) %</i>	<i>12.2%</i>	<i>(1.0)%</i>	<i>2.7%</i>	<i>2.3%</i>	<i>0.7%</i>
<i>Expenditure Growth (Reduction) \$</i>	<i>815.9</i>	<i>(72.8)</i>	<i>198.8</i>	<i>176.6</i>	<i>52.8</i>
TOTAL BUDGET GAP⁽²⁹⁾	\$ -	\$ (260.9)	\$ (135.3)	\$ (47.3)	\$ 157.3
<i>Incremental Increase \$</i>	<i>-</i>	<i>(260.9)</i>	<i>125.6</i>	<i>88.0</i>	<i>204.6</i>

REVENUE

⁽¹⁾ General Fund (GF) Base: The revenue base for each year represents the prior year's estimated revenues. Each year's Total Revenue incorporates revised estimates for prior year receipts, adds revenue growth, and subtracts revenue reductions to the GF Base.

⁽²⁾ Revenue Growth: Revenue projections assume the end of pandemic restrictions and the recovery in receipts with widespread vaccination and widespread immunity reached by the end of July. They further assume no additional closures. If vaccination efforts stall, or if variants prove to be vaccine resistant, there is risk of new outbreaks prompting renewed restrictions which may impact revenue growth. Revenue Growth for 2021-22 includes receipts from one-time federal funding sources totaling \$713.2 million, and represents an increase of 12.2 percent above adopted revenue and 7.8 percent above revised. Excluding one-time federal receipts from the revised 2020-21 and proposed 2021-22 estimates, total General Fund revenue for 2021-22 represents an increase of 1.5 percent from the 2020-21 Adopted Budget and 10.2 percent from the revised estimate, representing the recovery of the City's core revenue base. The amounts represent projected incremental change to the base. The revenue growth amounts deduct one-time receipts from the estimated revenue growth for the following fiscal year.

Total City revenue growth for outgoing years is estimated between 3.3 and 5.6 percent, excluding federal relief funds. Unless otherwise noted, individual revenue sources reflect continuing growth in fiscal years 2022-23 through 2025-26 based on historical average receipts.

⁽³⁾ Property Related Taxes include all property tax revenues, Documentary Transfer Tax, Residential Development Tax, and the redirection of ex-CRA tax increment monies. Assessed Value growth in property tax is projected at 5.9 percent for 2021-22 was based on assumptions for

Table 4
GENERAL FUND BUDGET OUTLOOK
As prepared and updated in connection with the Fiscal Year 2021-22 Budget
(\$ in millions)

lower growth due to low inflation; redemption activities assumed to remain flat with the recovery of past-due taxes; and refunds projected to increase with the reassessment of commercial property.

Documentary Transfer is a volatile revenue in particular when sales volume and price move together. 2021-22 and outgoing years assumes both sales volume and prices remain stable under increasing interest rates as transfer tax revenue is predicted to surpass the peak revenue level seen at the height of the real estate bubble.

The Residential Development Tax is correlated with building permit activity, which have been minimally impacted by the pandemic. Receipts are assumed to fully recover in 2021-22 and remain stable thereafter.

Ex-CRA tax increment revenue growth is irregular. The estimate for 2021-22 is partly based on the proposed payment schedule (ROPS) and includes additional one-time miscellaneous revenue from surplus property sales assumed for 2021-22 and 2022-23. Subsequent fiscal years assume conservative growth based on the trend of lower tax increment growth (receipts) and increasing pass-through distributions (expenses) and align with property tax growth assumptions.

- (4) Business tax estimates for non-cannabis activities assume a modest recovery in the 2022 annual renewal period, based on the average growth rate that followed the dot-com bust and “Great Recession” (i.e., the severe financial crisis and accompanying deep recession that ended in 2009) and estimated 2021 tax period receipts as the base. The estimate for 2021-22 reflects the loss of tax amnesty revenues from an amnesty program conducted in 2020-21, recovery in non-cannabis related business activity, and continuing growth in cannabis-related business activity. Outgoing years assume high, but decreasing, growth, primarily attributed to assumptions for cannabis receipts.

Sales tax growth in 2021-22 is 17.5 percent following two years of consecutive declines. Sales tax receipts are only 4.3 percent above the pre-pandemic revenue realized in 2018-19. Revenue estimates assume the return of indoor business operations, a decline in unemployment, and low inflation. Subsequent years represents a move towards the pre-pandemic growth trend.

- (5) Electricity Users tax revenue is based on estimates provided by the Department of Water and Power (DWP). 2022-23 and outgoing years assume pre-pandemic average growth.

Gas users tax revenue for 2021-22 accounts for the second year of a three-year rate reduction stemming from a class-action lawsuit settlement. Consumption and prices are assumed to remain stable in 2021-22 and subsequent years.

The decline in communication users tax (CUT) revenue has accelerated with strategic wireless plan pricing and decreased landline use. 2021-22 and outgoing years assume an ongoing drop in CUT receipts.

- (6) The projected revenue growth in departmental receipts inclusive of License, Permits, Fees, and Fines are dependent on policy decisions to increase departmental fees, collect full overhead cost reimbursements on Special Funds with sufficient capacity to do so, and increase reimbursements for those funds that have historically received a General Fund subsidy. Growth in departmental receipts for 2021-22 reflects the easing of pandemic-related restrictions on Transportation, Police, Fire, Building and Safety, Animal Services and other department services, restoring license, permit, fees and fine receipts. Additionally, updates to the cost allocation plan will typically increase reimbursements for related costs and other expenditures from proprietary and special funded departments. However, decreased balances in the solid waste, gas tax, stormwater, and other special funds will reduce reimbursements below cost recovery. 2022-23 and 2023-24 assume receipts return to the pre-pandemic level with growth slowing to 2.7 percent in outgoing years.

- (7) Transient occupancy tax revenue in 2021-22 assumes an increase of approximately 75 percent from the revised 2020-21 estimate, inclusive of hotel and short-term rental revenue. The 2021-22 revenue amount remains below pre-pandemic levels, after two years of decline. Estimates are based on assumptions for room demand and room rates, with greater downside risk to international tourism assumptions. A gradual recovery to pre-pandemic hotel room demand is anticipated by 2023-24 with outgoing years reflecting historical growth.

Parking Occupancy tax assumes similar 75 percent growth as transient occupancy tax, although from a relatively smaller decline in 2020-21. 2021-22 through 2023-24 receipts are assumed to recover at a faster pace than TOT. 2024-25 and 2025-26 assume historical growth.

The Power Revenue Transfer estimate for 2021-22 is provided by the Department of Water and Power based on assumptions for estimated 2020-21 Power System revenue. The final transfer amount may be adjusted to conform to actual 2020-21 power system revenue in accordance with audited financial statements. Outgoing years assume an average of amounts transferred since a transfer limit was established.

- (8) The American Rescue Plan Act (ARPA) provides fiscal recovery funds for metropolitan cities, distributed using a modified Community Development Block Grant (CDBG) formula. The 2021-22 amount includes \$639.5 million which represents the City’s second tranche allocation out of a total City allotment of \$1.279 billion. The City received an initial tranche of \$639.5 million in 2020-21. ARPA funds are one-time revenues and subsequent years do not include the continuation of these funds.

- (9) Revenue from the Special Parking Revenue Fund (SPRF) represents the projected surplus that may be available to transfer to the General Fund after accounting for debt service and other expenditures associated with the maintenance, upgrades, and repairs of parking structures, meters, and related assets. The annual base-level surplus is \$23.5 million. Any amounts above this are considered one-time receipts and deducted from the estimated revenue growth for the following fiscal year. The transfer in 2020-21 was originally budgeted at \$27.7 million but due to the pandemic’s impact on parking revenues, the 2020-21 transfer was eliminated. The 2021-22 estimate assumes an \$8.5 million surplus available for transfer. Subsequent years assume the base transfer amount of \$23.5 million.

- (10) The Outlook does not include any transfers from the Budget Stabilization Fund (BSF).

- (11) The transfer from the Reserve Fund in 2021-22 is \$85.1 million. The Outlook does not assume any transfers in subsequent years.

ESTIMATED GENERAL FUND EXPENDITURES:

- (12) General Fund Base: The General Fund base carries over all estimated General Fund expenditures from the prior year to the following fiscal year.

- (13) Incremental changes to the Base: The 2021-22 amount reflects funding adjustments to the prior fiscal year General Fund budget. The expenditures included for subsequent years represent major expenses known at this time and are subject to change.

- (14) Employee Compensation Adjustments: The 2021-22 amount includes employee compensation adjustments consistent with existing labor
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Table 4
GENERAL FUND BUDGET OUTLOOK
As prepared and updated in connection with the Fiscal Year 2021-22 Budget
(\$ in millions)

agreements as amended and all other required salary adjustments. Fiscal years 2022-23 through 2025-26 reflect restoration of one-time salary reductions from the prior year and full-funding for partially financed positions. The Outlook does not include projections for future compensation adjustments from future labor agreements, although it does include a two percent annual increase to account for natural salary growth. Most current agreements expire in 2022-23 or 2023-24.

- (15) City Employees' Retirement System (LACERS) and Fire and Police Pensions (LAFPP): The contribution rates are based on information that the systems' actuary calculated and includes the employee compensation adjustment assumptions above. In 2020, the board of commissioners for LACERS and LAFPP adopted economic and demographic assumption changes, including reducing the assumed investment rate of return from 7.25 percent to 7.00 percent. The contribution rates below include the adopted assumption changes. The 2020-21 investments return of 14 percent reflects higher than anticipated returns. The unaudited returns to date are significantly higher than 14 percent. If actual 2021-22 returns remain above this rate, the City's contribution rate will be lower than the reported projections, all else being equal.

Assumptions	LACERS and LAFPP					
	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
LACERS						
6/30 th Investment Returns	14.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Combined Contribution Rate	29.05%	32.15%	32.30%	31.92%	31.52%	29.27%
LAFPP						
6/30 th Investment Returns	14.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Combined Contribution Rate	46.79%	45.89%	45.27%	44.61%	43.21%	38.88%

- (16) Workers' Compensation Benefits: The projection reflects an April 2021 actuarial analysis. They reflect the impact of both current and projected future COVID-19 claims.
- (17) Health, Dental, and Other Benefits: The projection incorporates all known cost-sharing provisions adopted into labor agreements for the civilian and sworn populations. It assumes that net enrollment will increase an average of one percent for the civilian and sworn populations. Benefit rate increase assumptions are consistent with historical trends. Unemployment insurance costs rise in 2021-22, reflecting pandemic-related unemployment claim increases, and then decline in future years.
- (18) Debt Service: The debt service amounts include known future payments from the Capital Finance budget. The 2021-22 amount reflects one-time funding totaling \$11.2 million included in the Adopted Budget to prepay outstanding bonds and MICLA commercial paper program payments. The final debt service payment on all MICLA Los Angeles Convention Center Bonds is in 2022-23.
- (19) Resolution Authorities: The deletion line reflects the practice of annually deleting resolution authority positions, which are limited-term and temporary in nature. The "Add New and Continued Resolution Authorities" line reflects the continued or new resolution positions included in the 2021-22 Budget.
- (20) One-time Costs: The deletion line reflects the practice of deleting programs and costs that are limited-term and temporary in nature each year. The "Add One-Time Costs" line reflects the continued and new one-time costs included in the 2021-22 Budget. The Outlook deletes funding for all one-year projects in 2022-23 and retains the remaining balance for multiyear projects that will not become part of the General Fund base. To the extent that there are budget decisions to continue one-time programs in future years, expenditures would be higher than the reported projections.
- (21) Comprehensive Homeless Strategy: This amount represents the increase to the General Fund appropriation for homelessness-related services and expenditures within the context of the City's Comprehensive Homeless Strategy. The 2022-23 amount deletes one-time 2021-22 expenditures. To the extent that there are budget decisions to continue one-time programs in future years, expenditures would be higher than the reported projections.
- (22) Unappropriated Balance (UB): The 2022-23 amount eliminates one-time UB items, and continues ongoing ones. There is significant one-time UB items in 2021-22, including COVID response and new programs. To the extent that there are budget decisions to continue one-time programs in future years, expenditures would be higher than the reported projections.
- (23) Capital and Technology Improvement Expenditure Program (CTIEP) – Municipal Facilities and Physical Plant: The Adopted 2021-22 Budget includes an increase in funding from the General Fund of \$31.9 million for physical plant related capital projects and \$20.2 million for municipal facilities. The 2022-23 amount deletes funding for one-year projects. The Outlook assumes increased funding in future years to meet the policy spending level of 1.5 percent of General Fund revenue for capital and technology projects.
- (24) CTIEP – Sidewalk: Pursuant to the settlement in the case of *Willits v. City of Los Angeles*, the City is responsible for investing \$31 million annually for sidewalk improvements through 2047, with adjustments of 15.3 percent every five years to account for inflation and material price increases. The 2021-22 increase of \$6.8 million in General Fund appropriations reflects funds provided for sidewalk repair work for the Department of Water and Power and the Library Department, which will be reimbursed by those departments. The 2022-23 increase of \$6.8 million will increase the General Fund appropriation to \$29.7 million annually, with the balance of the investment covered by other sources of funds. This increase reflects both the required adjustment to the minimum obligation and the recognition that proprietary departments' expenditures will decrease as sidewalk repairs are completed at their facilities.
- (25) CTIEP – Pavement Preservation Program: The Pavement Preservation Program increase of \$6.6 million in 2021-22 reflects the restoration of General Fund to cover the costs shifted to special funds on a one-time basis in 2020-21. Future years both restore funding for one-time efficiencies and assume that the General Fund will bear cost increases to maintain service levels that exceed the capacity of special funds.
- (26) Appropriation to the Reserve Fund: There is no appropriation to the Reserve Fund in 2021-22, which is \$12.3 million less than the 2020-21 appropriation. No appropriation is included in subsequent years.
- (27) Appropriation to the Budget Stabilization Fund (BSF): Pursuant to the policy, when the combined annual growth for seven General Fund tax

Table 4
GENERAL FUND BUDGET OUTLOOK
As prepared and updated in connection with the Fiscal Year 2021-22 Budget
(\$ in millions)

revenue sources exceeds the Average Annual Ongoing Growth Threshold, the budget must include a deposit into the BSF. When growth of these receipts falls short of the Average Annual Ongoing Growth Threshold, the Budget may include a withdrawal from the fund. Based on the projected growth in economically sensitive revenues, the projected transfer to the BSF is \$21.2 million in 2022-23 and \$2.0 million in 2023-24.

⁽²⁸⁾ Net – Other Additions and Deletions: The 2021-22 amount includes one-time reductions and efficiencies and ongoing changes and new regular positions added to the base budget. The significant reductions include the deletion of 1,140 regular authority positions through the Separation Incentive Program (SIP) and one-time reductions taken as an alternative to deleting other position authorities that were vacated due to SIP. To the extent that the 2021-22 Budget restored positions eliminated through the SIP as resolution authority positions, the funding for those positions is included in the “Add New and Continued Resolution Authorities” line. Among the significant increases are appropriations of \$37 million to Recreation and Parks and \$13 million to the Library. The remaining balance reflects new and increased ongoing costs to a variety of departmental programs. Subsequent years include projected expenditures for the restoration of one-time expenditure reductions, structured payments, hotel development incentive agreements, LAPD vehicles, and the recycling incentives program and increased appropriations to Recreation and Parks and the Library.

⁽²⁹⁾ Total Budget Gap: The Total Budget Gap reflects the projected surplus (deficit) in each fiscal year included in the Outlook.

Source: City of Los Angeles, Office of the City Administrative Officer.

Budgetary Reserves and Contingencies

The City maintains a number of budgetary reserves and other funds designed to help manage its risks and ensure sufficient resources to meet contingencies. These funds represent a major component of what is reported as Fund Balance at year-end in the City’s financial reports. See the footnotes for “Table 1—Balance Sheets for the General Fund.” While significant transfers from reserves occurred in Fiscal Year 2019-20 and were originally expected in 2020-21 to partially address revenue shortfalls due to the pandemic, ARPA receipts facilitated the preservation of budgetary reserves in 2020-21, and the City began Fiscal Year 2021-22 with larger reserves than anticipated in the Budget.

The City maintains a Reserve Fund, which was created by the Charter. The City may transfer moneys from the Reserve Fund as part of an Adopted Budget or throughout the fiscal year for unanticipated expenditures, or may transfer funds from the Reserve Fund as a loan to other funds. The City may also transfer moneys to the Reserve Fund from time to time throughout the year. All unencumbered cash amounts in the General Fund revert to the Reserve Fund at the end of the Fiscal Year; some of those funds will be re-appropriated at the beginning of the following fiscal year (primarily for General Fund capital projects, advances, and technical adjustments).

The Reserve Fund is composed of two accounts—a Contingency Reserve Account and an Emergency Reserve Account. The City’s Financial Policies include a Reserve Fund policy setting forth the goal that the City maintain a budget-based Reserve Fund balance equal to at least 5 percent of General Fund revenues. (The City’s Reserve Fund policy addresses budget-based reserves and does not set specific goals for GAAP-based year-end fund balances.) As shown in the table below, the 2021-22 Budget expected to exceed this goal at 6.8 percent as of July 1, 2021, after falling short of this goal for the first time in seven years the prior year due to the revenue impacts of the pandemic. An initial review of the Reserve Fund balance following the close of the 2020-21 fiscal year suggests that the actual July 1, 2021, balance exceeded the budgeted amount at \$647 million, or 8.6 percent of budgeted General Fund revenues.

Amounts in the Emergency Reserve Account, representing 2.75 percent of General Fund revenues, are restricted under the Charter for funding an “urgent economic necessity” upon a finding by the Mayor and Council of such necessity. If the City were to utilize amounts in the

Emergency Reserve Account, the City would be expected to replenish the amount expended therefrom in the subsequent fiscal year except in the case of a catastrophic event, in which case the requirement can be temporarily suspended by Council and Mayoral action. The balance of the available Reserve Fund is allocated to the Contingency Reserve Account and is available to address unexpected expenditures relating to existing programs or revenue shortfalls upon authorization by the Mayor and Council.

There are several proposals under consideration that could negatively impact the Reserve Fund balance in the range of \$170 million. These proposals include funding for affordable housing acquisition and development, unfunded COVID-related expenditures, and homeless outreach service changes. Approximately \$90 million of these expenditures have been proposed in the form of loans, which would only be repaid in future fiscal years. At this time, the City does not expect the remainder to be repaid.

In addition, the City maintains a number of other funds that can be used to finance contingencies as they arise, the most important of which are the Budget Stabilization Fund (the “BSF”) and the Unappropriated Balance (the “UB”) line item for mid-year adjustments. Taken together, the Reserve Fund, the BSF, and the UB line item for mid-year adjustments comprise what the City considers to be its General Fund reserves.

Pursuant to the ordinance that regulates the BSF, as part of the annual budget process a portion of the economically sensitive revenues projected to be above the historical average must be deposited into the BSF, which can then be used to help fund future expenditures when revenue is stagnant or is in decline. The economically sensitive revenues consist of seven General Fund tax revenue sources: property, utility users, business, sales, transient occupancy, documentary transfer, and parking occupancy taxes. For purposes of the 2021-22 Budget, the growth rate used to determine BSF contributions was calculated to be 4.1 percent, based on the 20-year historical average of these tax revenues.

Under the BSF Financial Policy, the 2021-22 Budget was neither required to make a deposit into nor permitted to take a withdrawal from the BSF. As neither occurred, the Budget complies with this Financial Policy.

The UB was created by the Charter, which requires that an amount be included in the budget to be available for appropriations later in the fiscal year to meet contingencies as they arise. The amount and types of items identified in the UB vary each year depending on the specific challenges, the risks identified, and programs that have been approved but for which an appropriation for expenditure is premature. The 2021-22 Budget contained a particularly large appropriation of \$531.5 million to the UB, including allocations of \$14.9 million as a Reserve for Mid-Year Adjustments, \$23.9 million as a Reserve for Extraordinary Liability and a wide variety of programs, the largest of which are business assistance programs (\$25 million), child care programs (\$30 million), COVID-19 emergency response (\$25 million), renewable energy projects (\$30 million), a guaranteed basic income pilot program (\$29 million), maintenance at recreation and parks facilities (\$75 million) and restaurant and small business recovery (\$25 million).

The City adopted a revision to its Financial Policies in January 2020 to add the stated goal of maintaining the cumulative value of the Reserve Fund, the Budget Stabilization Fund, and the UB line item for mid-year adjustments at an amount equal to at least 10 percent of all General Fund receipts anticipated for that fiscal year in the Adopted Budget. Based on the preliminary

assessment of the actual July 1, 2021 Reserve Fund balance, the General Fund reserves would be 10.4 percent, which exceeds this reserve goal.

The following table summarizes both budgeted and actual reserves. The history of projected Reserve Fund balances as of July 1 as anticipated in past Adopted Budgets and the actual Reserve Fund balances that occurred on July 1 of those years is intended to illustrate the historical variance between budgeted and actual amounts. A number of factors affect the actual balance at the beginning of the year, including final expenditures and revenues for the preceding fiscal year, the reversion of unencumbered funds at year end, the reappropriation of a portion of those reversions through the budget, and the use of appropriations to and from the Reserve Fund to support the Adopted Budget. The table also sets forth the City's other contingency resources, in addition to the City's Reserve Fund, namely the BSF and the UB line item for mid-year adjustments. These balances are reported as of the beginning of the fiscal year rather than the end of the prior year to avoid overstating them as a result of year-end reversions, many of which are reappropriated as of July 1, and to account for any transfers made as part of an Adopted Budget.

Table 5
HISTORICAL RESERVE FUND BALANCE AS OF JULY 1
Adopted Budget and Actual
(Cash Basis; \$ in millions)

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	Budget 2021-22
Adopted Budget										
Emergency Reserve	\$125.1	\$133.8	\$141.3	\$148.8	\$153.4	\$160.2	\$170.2	\$180.7	\$183.9	\$206.4
Contingency	<u>92.9</u>	<u>127.3</u>	<u>142.8</u>	<u>164.6</u>	<u>181.5</u>	<u>138.1</u>	<u>180.7</u>	<u>229.7</u>	<u>59.4</u>	<u>303.5</u>
	\$218.0	\$261.1	\$284.1	\$313.4	\$334.9	\$298.3	\$350.9	\$410.4	\$243.3	\$509.9
Total Budgeted General Fund Revenues	\$4,550.5	\$4,866.9	\$5,138.3	\$5,410.4	\$5,576.4	\$5,826.5	\$6,190.6	\$6,569.7	\$6,687.3	7,503.2
Reserve Fund Balance as % of Budgeted General Fund Revenues	4.79%	5.37%	5.53%	5.79%	6.01%	5.12%	5.67%	6.25%	3.64%	6.80%
Budget Stabilization Fund	\$0.5	\$61.5	\$64.4	\$91.5	\$92.4	\$95.1	\$107.3	\$113.9	\$116.6	\$118.0
Reserves for Mid-Year in UB	<u>8.0</u>	<u>21.0</u>	<u>20.7</u>	<u>17.0</u>	<u>15.0</u>	<u>20.0</u>	<u>20.3</u>	<u>35.0</u>	<u>30.1</u>	<u>14.9</u>
Total General Fund Budget Reserves	\$226.5	\$343.6	\$369.2	\$421.9	\$442.3	413.3	\$478.6	\$559.4	\$390.0	\$642.8
% of Budgeted General Fund Revenues	4.98%	7.06%	7.19%	7.80%	7.93%	7.09%	7.73%	8.51%	5.83%	8.57%
Actual										
Emergency Reserve	\$125.1	\$133.8	\$141.3	\$148.8	\$153.3	\$160.2	\$170.2	\$180.7	\$183.9	\$206.3
Contingency	<u>108.0</u>	<u>192.9</u>	<u>241.7</u>	<u>293.8</u>	<u>180.9</u>	<u>194.3</u>	<u>175.6</u>	<u>226.5</u>	<u>78.6</u>	<u>\$440.7</u>
	\$233.1	\$326.7	\$383.0	\$442.6	\$334.2	\$354.5	\$345.8	\$407.2	\$262.5	\$647.0
Reserve Fund Balance as % of Budgeted General Fund Revenues	5.12%	6.71%	7.45%	8.18%	5.99%	6.08%	5.59%	6.20%	3.93%	8.62%

Source: City of Los Angeles, Office of the City Administrative Officer.

Financial Management Policies

The City has adopted a number of Financial Policies. Several of these policies relate to the City's Reserve Fund and Budget Stabilization Fund. See "Budgetary Reserves and Contingencies" above for a description of these Financial Policies.

Another component of the Financial Policies requires that one-time revenues only be used for one-time expenditures. The 2021-22 Budget fails to satisfy this policy due to the allocation of

\$823.7 million in one-time revenues (including \$639.5 million from ARPA, \$73.8 million from FEMA, and an \$85.1 million transfer from the Reserve Fund) towards \$691.2 million of one-time expenditures, which results in \$132.5 million of these one-time revenues being allocated towards ongoing expenditures. See “General Fund Budget Outlook,” above.

The Financial Policies provide for the City to annually budget 1.5 percent of General Fund revenues to fund capital and technology infrastructure improvements. The 2021-22 Budget exceeds this goal, appropriating \$265.5 million towards such expenditures, representing 3.5 percent of General Fund revenues.

The City also has limits on the amount of debt service it considers affordable and is well below those thresholds. See “BONDED AND OTHER INDEBTEDNESS—Debt Management Policies.”

These Financial Policies are available on the City’s website, are subject to change, and are not incorporated as part of this Official Statement (http://cao.lacity.org/debt/fin_policies.htm).

Risk Management and Retention Program

Because of its size and its financial capacity, the City has long followed the practice of directly assuming most insurable risks without procuring commercial insurance policies. The extent and variety of City exposure is such that the cost of the premiums outweighs the benefits of such coverage. The City administers, adjusts, settles, defends and pays claims from budgeted resources. The City is self-insured for workers’ compensation as permitted under State law. The City procures commercial insurance when required by bond or lease financing covenants and for other limited purposes. Due to the impacts of the pandemic, insurance premiums for the City have increased. The 2021-22 Budget provides additional funding to cover these increased costs.

Funds are budgeted annually to provide for claims and other liabilities based both on the City’s historical record of payments and an evaluation of known or anticipated claims. The 2021-22 Budget provides funding of \$87.4 million for these liabilities, of which \$80 million is dedicated to liabilities that must be paid from the General Fund. The 2021-22 Budget also includes a \$23.9 million appropriation in the UB as a “Reserve for Extraordinary Liabilities.” From time to time, the City may issue judgment obligation bonds to finance larger judgments or settlements, as it did in Fiscal Years 2008-09 and 2009-10.

The City’s recent budget and claims payment experience is listed in the table below.

Table 6 LIABILITY CLAIMS PAID ⁽¹⁾ (\$ in millions)					
<u>Fiscal Year</u>	<u>Total Amount Budgeted</u>				<u>Total Claims Paid</u>
	<u>General Fund</u>	<u>Special Funds</u>	<u>Unappropriated Balance</u>	<u>Total</u>	<u>All Council-Controlled Funds</u>
2016-17	\$59.6	\$ 8.9	\$ -	\$68.5	\$201.4
2017-18	80.0	9.1	20.0	109.1	107.1
2018-19	80.0	9.1	20.0	109.1	103.3
2019-20	80.0	10.5	20.0	110.5	126.9
2020-21 Estimated	80.0	7.9	-	87.9	88.4
2021-22 Budget	80.0	7.4	23.9	111.3	N/A
⁽¹⁾ Cash basis. Does not include Workers’ Compensation claims paid by the City; see Table 7. Also, does not include claims paid in connection with Fair Labor Standards Act disputes and other labor matters, which are paid out of departmental operating budgets.					
Source: City of Los Angeles, Office of the City Administrative Officer.					

The City's Annual Financial Report provides estimates of potential liabilities. Under GAAP, the City is required to accrue liabilities arising from claims, litigation and judgments when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The City's Annual Financial Report discloses and takes into account estimates of such potential liabilities. As reported in the City's Annual Financial Report (Note 4 (N): Risk Management—Estimated Claims and Judgments Payable), the City, as of June 30, 2020, estimated the amount of tort and non-tort liabilities to be “probable” of occurring at approximately \$628.7 million. In addition, and as reported in the City's Annual Financial Report, the City Attorney, as of June 30, 2020, estimated that certain other pending lawsuits and claims have a “reasonable possibility” of resulting in additional liability totaling \$64.0 million. See “LITIGATION” for a discussion of certain recently completed, pending or threatened litigation matters involving the City.

Also as of June 30, 2020, the City estimated its workers' compensation liability at \$1.8 billion; see Table 7 for recent and budgeted expenditures for this liability.

The City generally does not maintain earthquake insurance coverage. Instead, the City relies on its general reserves as well as the expectation that funds will be available from FEMA to manage earthquake and other major natural disaster risk. The City has received a waiver from the requirement under federal law that it acquire earthquake insurance on facilities that were the beneficiaries of prior FEMA grants. There is no guarantee that sufficient City reserves or FEMA assistance would be available in the event of a natural disaster. See “OTHER MATTERS—Seismic Considerations.”

In addition, the City does not maintain insurance for cybersecurity risk. See “OTHER MATTERS—Cybersecurity.”

Workers' Compensation, Employee Health Care and Other Human Resources Benefits

The City appropriates funds to a Human Resources Benefits Fund to account for various programs to provide benefits to its employees, in addition to retirement and other post-employment benefits, as described below. Total benefits expenditures are shown in the following table.

Table 7
HUMAN RESOURCES BENEFITS⁽¹⁾
(\$ in thousands)

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>Estimated</u> <u>2020-21</u>	<u>Budget</u> <u>2021-22</u>
Workers' Compensation/Rehabilitation	\$186,263	\$195,985	\$203,356	\$211,100	\$212,467
Contractual Services	23,707	24,086	23,430	25,783	27,341
Civilian FLEX Program ⁽²⁾	274,024	282,513	291,509	308,862	300,562
Supplemental Civilian Union Benefits	5,012	5,070	5,544	6,173	5,938
Police Health and Welfare Program	144,926	156,625	157,451	158,385	160,760
Fire Health and Welfare Program	52,748	56,927	58,938	61,818	62,490
Unemployment Insurance	2,720	2,452	1,961	8,500	3,000
Employee Assistance Program	1,386	2,078	1,369	1,839	1,820
Total	<u>\$690,786</u>	<u>\$725,736</u>	<u>\$743,558</u>	<u>\$782,460</u>	<u>\$774,378</u>

⁽¹⁾ Cash basis.

⁽²⁾ Reflects all civilian health, dental, union supplemental benefit and life insurance subsidies.

Source: City of Los Angeles, Office of the City Administrative Officer.

Labor Relations

In 1971, the City adopted an employee relations ordinance under the provisions of the Meyers-Milias-Brown Act (“MMBA”). Under the MMBA, management must bargain with recognized employee organizations on terms and conditions of employment, including wages, hours, and other working conditions. The CAO is the formal management representative on employee relations matters, representing the Mayor and Council in negotiations with recognized employee organizations. The CAO receives direction from the Executive Employee Relations Committee, consisting of the Mayor; the President of the Council; the President Pro-Tempore of the Council; the chairperson of the Council’s Budget and Finance Committee; and the chairperson of the Council’s Personnel, Audits and Animal Welfare Committee. Formal Memoranda of Understanding (“MOUs”) are executed between the City and the employee organizations incorporating the negotiated wages and working conditions for each bargaining unit. For expired contracts, the terms continue to be observed during negotiations of a new contract, unless a provision has a specific termination date.

There are 44 individual MOUs, affecting about 36,400 full-time and 9,800 part-time City employees (these bargaining units include employees of the Airport and Harbor departments, but exclude DWP employees) that are represented by 22 labor unions/employee associations. The remaining approximately 800 employees are not represented. The vast majority of employees that are members of the Los Angeles City Employees’ Retirement System (“LACERS”) are considered to be “civilian” employees. Employees that are members of the City of Los Angeles Fire and Police Pension Plan (“LAFPP”) are considered to be “sworn” or “safety” employees. See “BUDGET AND FINANCIAL OPERATIONS—Retirement and Pension Systems—Los Angeles City Employees’ Retirement System (“LACERS”).”

To address the projected budget gap in Fiscal Year 2020-21, the City reached agreements with most of its employee organizations to defer previously scheduled wage increases, in exchange for the City refraining from using civilian layoffs, furloughs, and scheduled sidelining of fire engines or ambulances as budget balancing solutions in 2020-21. The renegotiated MOUs had provisions for reopening of negotiations to consider restoring some or all of deferred salary increases, identifying additional economic increases and/or increasing staffing.

For a number of years, the City has accumulated liability for banked Police Department (“LAPD”) uncompensated overtime, valued at approximately \$151.5 million as of August 28, 2021. Those hours that are not used as leave become more expensive over time due to promotions and other salary increases of applicable LAPD personnel. The recent agreement reached by the City and the union representing police officers, which deferred certain salary increases, may reduce the need to bank overtime hours in lieu of payment, as the agreement will require the City to pay a minimum of \$70 million in cash overtime to police officers in each of the following three fiscal years: 2021-22, 2022-23, and 2023-24.

Due to the ongoing pandemic, the City, pursuant to Ordinance 187134 (the “Vaccine Ordinance”), mandated that all its employees, volunteers, interns, hiring hall, appointed officers, board members and commissions, and elected officials and their appointees (collectively, the “Affected Employees”) be fully vaccinated against COVID-19 by October 19, 2021, unless the Affected Employees claim, and get approval for, an exemption for either medical reasons or sincerely held religious beliefs. Additionally, all candidates and applications seeking initial City employment, promotions or transfers, must meet the minimum qualification of being fully

vaccinated or having received an exemption, and must report their vaccination status prior to the appointment, promotion or transfer.

The City faces two lawsuits over provisions pertaining to the Vaccine Ordinance. The first lawsuit, entitled *Firefighters4Freedom Foundation v. City of Los Angeles*, was filed on September 17, 2021 in Los Angeles County Superior Court by a non-profit corporation, as appointed agent for and on behalf of 529 Los Angeles Fire Department employees. The second lawsuit was filed on September 11, 2021 in United States District Court, Central District by a group of six LAPD officers. An amended complaint was filed on September 26, 2021, which removed one claimant and added eight new claimants (for a total of thirteen) to the action. The lawsuit is entitled *Lemons, et al. v. City of Los Angeles et al.* Among their other respective claims of relief, some of which are compensatory, both suits seek preliminary and permanent injunctions to enjoin the City from enforcing the Vaccine Ordinance by arguing that its provisions violate the parties' constitutional rights under the California and U.S. Constitution, respectively. The City plans to defend the Vaccine Ordinance. Although an estimable liability amount, if any, cannot be determined at this time due to the preliminary nature of the lawsuits, the lawsuits are not expected to have a material financial impact on the City's General Fund.

The following table summarizes the membership and status of the largest unions and employee associations. The cost of living adjustments include the terms renegotiated to defer salary increases. See "BUDGET AND FINANCIAL OPERATIONS—Fiscal Year 2020-21."

Table 8
STATUS OF LABOR CONTRACTS
LARGEST EMPLOYEE ORGANIZATIONS

<u>Organization</u>	<u>Employees Represented⁽¹⁾</u>	<u>Number of Bargaining Units</u>	<u>Status of Memorandum of Understanding</u>	<u>Base Wage Adjustments⁽²⁾</u>
Los Angeles Police Protective League	9,964	1	Contract expires 6/30/24	4.5% effective 9/1/19 1.5% effective 7/5/20 3.25% effective 1/17/21 3% effective 1/1/23 ⁽³⁾ 1.5% effective 1/1/23 ⁽³⁾
United Firefighters of Los Angeles City	3,282	1	Contract expires 6/29/24	2% effective 7/7/19 4.75% effective 7/5/20 4.5% effective 1/1/23
Coalition of LA City Unions	24,579	21	Contracts expires 12/31/22	2.9% effective 10/28/18 2.75% effective 1/19/20 2% effective 6/19/22 ⁽³⁾ 2% effective 6/19/22 ⁽³⁾
Engineers and Architects Association	5,479	4	Contracts expires 12/31/23	2.75% effective 1/19/20 2% effective 6/19/22 2% effective 1/29/23 1.5% effective 6/18/23
Municipal Construction Inspectors Association	880	1	Contract expires 12/30/23	2% effective 1/19/20 2.75% effective 7/5/20 2% effective 7/3/22 2% effective 1/29/23

⁽¹⁾ Total full-time and part-time employees in all departments except DWP, as of July 1, 2020.

⁽²⁾ Adjustments for the term covered by the specific MOU.

⁽³⁾ The renegotiated MOU deferred two salary increases to the same date. Both increases are shown here separately.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below shows total authorized City staffing for all departments except Airports, Harbor, DWP, LACERS, and LAFPP. The LAPD represents the single largest department in terms of authorized positions.

Table 9
AUTHORIZED CITY STAFFING⁽¹⁾

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>Budget 2021-22</u>
Sworn					
Police	10,547	10,549	10,552	10,554	10,557
Fire	<u>3,350</u>	<u>3,363</u>	<u>3,382</u>	<u>3,416</u>	<u>3,424</u>
Subtotal Sworn	13,897	13,912	13,934	13,970	13,981
Civilian					
Police	3,335	3,388	3,454	3,451	3,187
Fire	383	397	406	415	380
All Others	<u>15,760</u>	<u>16,063</u>	<u>16,378</u>	16,795	16,014
Subtotal Civilian	<u>19,478</u>	<u>19,848</u>	<u>20,238</u>	<u>20,661</u>	<u>19,581</u>
Total	33,375	33,760	34,172	34,631	33,562

⁽¹⁾ As authorized in the Adopted Budget. Includes permanent (“regular”) positions and excludes temporary personnel (also referred to as “resolution authority positions”), which total 3,171 for Fiscal Year 2021-22. Also excludes personnel of the departments of Airports, Harbor, DWP, LACERS and LAFPP.

Source: City of Los Angeles, Office of the City Administrative Officer.

Retirement and Pension Systems

General

The City has three single-employer defined-benefit pension plans created by the Charter: the Los Angeles City Employees’ Retirement System (“LACERS”), the City of Los Angeles Fire and Police Pension Plan (“LAFPP”) and, for employees of DWP, the Water and Power Employees’ Retirement, Disability and Death Benefit Insurance Plan (the “Water and Power Plan”). Both LACERS and LAFPP (collectively, the “Pension Systems”) are funded primarily from the City’s General Fund, while the Water and Power Plan is funded by that department’s proprietary revenues.

The Pension Systems provide retirement, disability, death benefits, post-employment healthcare and annual cost-of-living adjustments to plan members and beneficiaries. Both Pension Systems are funded pursuant to the Entry Age Cost Method, which is designed to produce stable employer contributions in amounts that increase at the same rate as the employer’s payroll (i.e., level percent of payroll). Retired members and surviving spouses and domestic partners of LACERS and LAFPP members are eligible for certain subsidies toward their costs of medical and other benefits. These benefits are paid by the respective retirement system. These retiree health benefits are accounted for as “Other Post-Employment Benefits” (“OPEB”). The City began making payments to its Pension Systems to pre-fund OPEB obligations in the late 1980s. The calculations of OPEB funding requirements are made by the same actuaries that perform the analysis of the Pension Systems’ retirement benefits, and generally rely on the same actuarial assumptions, other than those assumptions such as medical cost inflation specific to OPEB.

The actuarial valuations for both Pension Systems are prepared on an annual basis and the applicable actuary recommends contribution rates for the fiscal year beginning after the completion of that actuarial valuation. The Pension Systems’ annual valuations determine the

contribution rate, as a percentage of covered payroll, needed to fund the normal retirement costs accrued for current employment and to amortize any unfunded actuarial accrued liability (“UAAL”). The UAAL represents the difference between the present value of estimated future benefits accrued as of the valuation date and the actuarial value of assets currently available to pay these liabilities. The valuation for each plan is an estimate based on relevant economic and demographic assumptions, with the goal of determining the contributions necessary to sufficiently fund over time the benefits for currently active, vested former members and retired employees and their beneficiaries.

Various actuarial assumptions are used in the valuation process, including the assumed rate of earnings on the assets of the plan in the future, the assumed rates of general inflation, salary increases, inflation in health care costs, assumed rates of disability, the assumed retirement ages of active employees, the assumed marital status at retirement, and the post-employment life expectancies of retirees and beneficiaries. As plan experience differs from adopted assumptions, the actual liabilities will be more or less than the liabilities calculated based on these assumptions. The contribution rates in the following year’s valuations are adjusted to take into account actual plan experience in the current and prior years.

Each plan also generally performs an experience study every three years, comparing the plan’s actual experience to the non-economic or demographic assumptions previously adopted by its board. Based on the plan’s experience, the board may adopt the actuary’s recommendations to adjust various assumptions such as retirement rates, termination rates, and disability incidence rates in calculating its liabilities. Additionally, the experience study will review each plan’s economic assumptions and the actuary may recommend adjustments based on future expectations for items such as general inflation, participant salary increases, and the plan’s future expected rate of investment return. These economic assumptions are also adopted by each plan’s board.

The valuations incorporate a variety of actuarial methods, some of which are designed to reduce the volatility of contributions from year to year. When measuring the value of assets for determining the UAAL, many pension plans, including the Pension Systems, “smooth” market value gains and losses over a period of years to reduce contribution volatility. These smoothing methodologies result in an actuarial value of assets that are lower or higher than the market value of assets at a given point in time.

The Actuarial Standards Board, the organization that sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice, approved the new Actuarial Standard of Practice No. 51 (“ASOP 51”), effective as of the June 30, 2019 actuarial valuations. ASOP 51 requires actuaries to identify and assess risks that “may reasonably be anticipated to significantly affect the plan’s future financial condition,” (referred to as a “Risk Report.”)

Examples of key risks that are particularly relevant to the Pension Systems are investment risk and longevity and other demographic risks. Among other things, the reports consider the cost to the City of alternative earning scenarios from investments. Since the funded ratio, UAAL, and the employer contribution rates have fluctuated as a result of deviation in investment experience in past valuations, the Pension Systems’ actuary has examined the risk associated with earning either higher or lower than the assumed investment rate in future valuations.

ASOP 51 also requires an actuary to consider if there is any ongoing contribution risk to the plan by evaluating the potential for and impact of actual contributions deviating from expected

contributions in the future. The Risk Reports for both Pension Systems (the “Risk Reports”), noted that the City has a well-established practice of making the Actuarially Determined Contribution. As a result, in practice both Pension Systems have been found to have essentially no contribution risk.

In the Risk Reports, the actuary noted that each had strengthened their respective actuarial assumptions over time in part by lowering the expected investment rate of return, utilizing a generational mortality assumption, and adopting a funding policy that controls future negative amortization. These changes may result in higher contributions in the short term, but in the medium to longer term avoid both deferring contributions and allowing unmanaged growth in the UAAL.

The Risk Reports also note that both of the Pension Systems have become more mature as evidenced by an increase in the ratio of members in pay status (retirees and beneficiaries) to active members employed by the City and by an increase in the ratios of plan assets and liabilities to active member payroll. The actuary expected these trends to continue going forward. Any increase in UAAL due to unfavorable investment and non-investment experience for the relatively larger group of non-active members would have to be amortized and funded over the payroll of the relatively smaller group of only active members; as a plan grows more mature, its contribution rate becomes more sensitive to investment volatility and liability changes.

Each of the Pension Systems has adopted its own asset allocation plan to guide their respective investments in stocks, bonds, real estate, alternatives, and cash equivalents. Each plan reviews its asset allocation plan periodically and any adjustments are approved by the respective boards.

The City has never issued pension obligation bonds to fund either of its Pension Systems but may consider it in the future. The City typically pays all of its annual contributions to its Pension Systems in July at a discount, out of the proceeds of its annual issuance of tax and revenue anticipation notes.

This section, “Retirement and Pension Systems,” is primarily derived from information produced by LACERS and LAFPP and their independent actuaries. The City has not independently verified the information provided by LACERS and LAFPP. The comprehensive annual financial reports of the individual Pension Systems, actuarial valuations for retirement and health benefits, and other information concerning LACERS and LAFPP are available on their websites, at www.lacers.org/aboutlacers/reports/index.html and www.lafpp.com/financial-reports, respectively. Information set forth on such websites is not incorporated by reference herein. For additional information regarding the Pension Systems, see also Note 5 in the “Notes to the City’s Basic Financial Statements” in the City’s Annual Financial Report for the Fiscal Year Ended June 30, 2020.

Investors are cautioned that, in considering information on the Pension Systems, including the amount of the UAAL for retirement and other benefits, the funded ratio, the calculations of normal cost, and the resulting amounts of required contributions by the City, this is “forward-looking” information. Such “forward-looking” information reflects the judgment of the boards of the respective Pension Systems and their respective actuaries as to the value of future benefits over the lives of the currently active employees, vested terminated employees, and existing retired employees and beneficiaries. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate and/or be changed in the future.

Los Angeles City Employees' Retirement System ("LACERS")

LACERS, established in 1937 under the Charter, is a contributory plan covering civilian employees other than employees of DWP and those Airport Peace Officers not participating in LAFPP. As of June 30, 2020, the date of its most recent actuarial valuation, LACERS had 27,490 active members, 20,423 retired members and beneficiaries, and 9,207 inactive members (members with a vested right to a deferred or immediate benefit or entitled to a return of their member contributions).

Over the past several years, LACERS has adopted various changes to its actuarial assumptions, including reducing the assumed investment return from 7.75 percent to 7.50 percent in 2014, to 7.25 percent in 2017, and to 7.0 percent in 2020. This most recent change in the investment return assumption represents one of many assumption changes recommended in an experience study dated as of June 17, 2020; other changes included the decrease in the inflation assumption from 3.00 percent to 2.75 percent, an increase in the merit and promotion salary increase assumption, and changes in the mortality assumption. Together, these changes increased the City's retirement contribution rate by 3.32 percent of payroll and the retirement UAAL by \$530.7 million. (These changes also increased the City's contribution rate for OPEB by 0.62 percent.)

LACERS amortizes components that contribute to its UAAL over various periods of time, depending on how the unfunded liability arose, layering separate fixed amortization periods. Under current funding policy, market losses and gains are recognized over a seven-year asset smoothing period, where only 1/7 of annual market gains or losses are recognized in the actuarial value of assets each year. The remaining gains or losses are spread equally over the next six years. Other factors that affect the calculation of unfunded liability, including early retirement incentives, plan amendments, changes in assumptions and other actuarial gains and losses will be amortized over terms that range from 5 to 30 years.

LACERS' Board uses a market value "corridor" of 40 percent. A corridor is used in conjunction with asset smoothing, in order to keep the actuarial value of assets within a certain percentage of the market value of assets. For example, if a system has a 40 percent corridor, the actuarial value of assets must be between 60 percent and 140 percent of the market value of assets. If the actuarial value falls below 60 percent or rises above 140 percent of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing.

In 2012, the Council adopted a new civilian retirement tier ("Tier 2"), which applied to all employees hired on or after July 1, 2013. Subsequently, as part of an agreement with the Coalition of LA City Unions, both the City and the Coalition agreed to transfer all Tier 2 employees into Tier 1 effective February 21, 2016. Any new employee hired into a position eligible for LACERS membership on or after February 21, 2016, unless eligible for Tier 1 membership under specific exemptions, is enrolled in a new "Tier 3." Based on the actuarial valuation as of June 30, 2020, approximately 73 percent of the Citywide payroll is comprised of Tier 1 members and 27 percent is comprised of Tier 3 members.

The following table includes a summary of the major plan design changes from Tier 1 to Tier 3.

Table 10
COMPARISON OF LACERS TIER I AND TIER III PLAN DESIGNS

<u>Plan Feature</u>	<u>Tier I⁽¹⁾</u>	<u>Tier III</u>
Normal Retirement (Age / Years of Service)	55 / 30 60 / 10 70 / Any	60 / 30 60 / 10
Early Retirement (Reduced)	55 / 10 Under 55 / 30	Under 60 / 30
Benefit Factors	Normal Retirement 2.16% per year of service	Normal Retirement 1.5% @ 60 / 10 2.0% @ 60 / 30
	Early Retirement Reduced by 3% per Years of Service before age 55; and 1.5% per Years of Service from ages 55-59	Early Retirement Reduced by 10.5% at age 54, plus an additional 3% reduction for every year below the age of 54; unreduced from ages 55 to 59
Compensation Used to Determine Retirement Allowance	Highest consecutive 12 months, including most bonuses	Last 36 months prior to retirement, including most MOU bonuses
Maximum Benefit	100%	80%
Employee Contribution Base	6%	7%
Early Retirement Incentive Program (ERIP) Employee Contribution	1% until 2026 or when ERIP debt is paid, whichever is sooner	N/A
Other Post-Employment Benefits (OPEB), e.g., retiree healthcare Employee Contribution	4%	4%
Maximum Annual COLA	3%	2%
COLA Bank	Yes	No
Government Service Buyback	Member pays employee contributions	Member pays employee and employer contributions, except for limited military or maternity leave time. Service purchase may not cause member's service retirement allowance to exceed eighty percent of final compensation.

⁽¹⁾ Does not reflect Tier 1 Enhanced Benefits for approximately 500 Airport Peace Officers.

Source: City of Los Angeles, Office of the City Administrative Officer.

The aggregate employer normal cost rates for the Retirement and Health Plans have stayed relatively flat since the June 30, 2010 valuation. For the Retirement Plan, the UAAL rate generally increased between the June 30, 2010 and the June 30, 2019 valuations primarily due to unfavorable investment experience and changes in actuarial assumptions. While there have also been increases in the normal cost rates due to the changes in the actuarial assumptions, those increases were offset to some degree by plan changes (the introduction of Tier 3) as new members have been enrolled in the lower cost benefit tier since February 21, 2016. Furthermore, an additional employee contribution (becoming 4 percent for all affected employees effective January 1, 2013) was implemented by the City for certain bargaining groups and for all non-represented employees. For

the Health Plan, the non-investment experience (primarily lower than projected medical premiums and subsidies) has had the most impact on decreasing the UAAL contribution rates.

The table below shows the actuarial value of the City's liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LACERS, the funded ratio and the ratio of UAAL to annual payroll.

Table 11
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
(\$ in thousands)⁽¹⁾

<u>Actuarial Valuation As of June 30</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>UAAL⁽²⁾</u>	<u>Funded Ratio⁽³⁾</u>	<u>Covered Payroll⁽⁴⁾</u>	<u>UAAL as a Percentage Of Covered Payroll⁽⁵⁾</u>
2011	\$9,691,011	\$13,391,704	\$3,700,693	72.4%	\$1,833,392	201.9%
2012	9,934,959	14,393,959	4,458,999	69.0	1,819,270	245.1
2013	10,223,961	14,881,663	4,657,702	68.7	1,846,970	252.2
2014	10,944,751	16,248,853	5,304,103	67.4	1,898,064	279.5
2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7
2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3
2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8
2019	14,818,564	20,793,421	5,974,857	71.3	2,225,413	268.5
2020	15,630,103	22,527,195	6,897,093	69.4	2,445,017	282.1

⁽¹⁾ Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.

⁽²⁾ Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent a funded ratio less than 100%.

⁽³⁾ Actuarial value of assets divided by Actuarial Accrued Liability.

⁽⁴⁾ Projected annual pensionable payroll for members of LACERS.

⁽⁵⁾ UAAL divided by covered payroll.

Source: Los Angeles City Employees' Retirement System Actuarial Valuation reports.

The actuarial value of assets is different from the market value of assets, as the actuarial value smooths asset gains and losses over a number of years. The following table shows the funding progress of LACERS based on the market value of the portion of system assets allocated to retirement benefits.

Table 12
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
(\$ in thousands)⁽¹⁾

<u>Actuarial Valuation As of June 30</u>	<u>Market Value Of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Liability⁽²⁾</u>	<u>Funded Ratio (Market Value)⁽³⁾</u>	<u>Covered Payroll⁽⁴⁾</u>	<u>Unfunded Liability As a Percentage of Covered Payroll (Market Value)⁽⁵⁾</u>
2011	\$ 9,186,697	\$13,391,704	\$4,205,007	68.6%	\$1,833,392	229.4%
2012	9,058,839	14,393,959	5,335,120	62.9	1,819,270	293.3
2013	10,154,486	14,881,663	4,727,177	68.2	1,846,970	255.9
2014	11,791,079	16,248,853	4,457,774	72.6	1,898,064	234.9
2015	11,920,570	16,909,996	4,989,426	70.5	1,907,665	261.5
2016	11,809,329	17,424,996	5,615,667	67.8	1,968,703	285.2
2017	13,180,516	18,458,188	5,277,672	71.4	2,062,316	255.9
2018	14,235,231	19,944,579	5,709,348	71.4	2,177,687	262.2
2019	14,815,593	20,793,421	5,977,828	71.3	2,225,413	268.6
2020	14,932,404	22,527,195	7,594,791	66.3	2,445,017	310.6

⁽¹⁾ Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.

⁽²⁾ Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a funded ratio less than 100%.

⁽³⁾ Market value of assets divided by Actuarial Accrued Liability.

⁽⁴⁾ Projected annual pensionable payroll for members of LACERS.

⁽⁵⁾ Unfunded liability divided by covered payroll.

Source: Calculated based on data from Los Angeles City Employees' Retirement System Actuarial Valuation reports.

The table below shows the actuarial funding progress of LACERS' liability for healthcare benefits:

Table 13
LOS ANGELES CITY EMPLOYEE'S RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
(\$ in thousands)

<u>Actuarial Valuation As of June 30</u>	<u>Actuarial Value Of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>UAAL⁽¹⁾</u>	<u>Funded Ratio⁽²⁾</u>	<u>Covered Payroll⁽³⁾</u>	<u>UAAL As a Percentage of Covered Payroll⁽⁴⁾</u>
2011	\$1,546,884	\$1,968,708	\$421,824	78.6%	\$1,833,392	23.0%
2012	1,642,374	2,292,400	650,027	71.6	1,819,270	35.7
2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0
2015	2,108,925	2,646,989	538,065	79.7	1,907,665	28.2
2016	2,248,753	2,793,689	544,935	80.5	1,968,703	27.7
2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8
2019	2,812,662	3,334,299	521,637	84.4	2,225,413	23.4
2020	2,984,424	3,486,531	502,107	85.6	2,445,017	20.5

⁽¹⁾ Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.

⁽²⁾ Actuarial value of assets divided by Actuarial Accrued Liability.

⁽³⁾ Annual pensionable payroll against which UAAL amortized.

⁽⁴⁾ UAAL divided by Covered Payroll.

Source: The City of Los Angeles City Employees' Retirement System Actuarial Valuations.

The table below summarizes the City's payments to LACERS over the past four years and payments included in the 2021-22 Budget. This table includes costs for contributions for both pensions and retiree health care.

Table 14
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SOURCES AND USES OF CONTRIBUTIONS
(\$ in thousands)⁽¹⁾

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Sources of Contributions					
Contributions for Council-controlled Departments ⁽²⁾	\$450,806	\$488,400	\$559,299	\$532,833	\$601,450
Airport, Harbor Departments, LACERS, LAFPP	<u>103,126</u>	<u>111,761</u>	<u>117,368</u>	<u>\$114,828</u>	<u>\$124,074</u>
Total	\$553,932	\$600,161	\$676,667	\$647,661	\$725,524
Percent of payroll – Tier 1	27.22%	28.31%	29.89%	29.43%	32.81%
Percent of payroll – Tier 3	24.64%	25.88%	27.70%	27.45%	30.16%
Uses of Contributions					
Current Service Liability (Normal cost)	\$214,741	\$224,161	\$234,336	\$229,795	\$265,096
UAAL	360,109	398,500	477,035	462,604	492,955
Adjustments ⁽³⁾	<u>(20,918)</u>	<u>(22,500)</u>	<u>(34,704)</u>	<u>(44,738)</u>	<u>(32,527)</u>
Total	\$553,932	\$600,161	\$676,667	\$647,661	\$725,524

⁽¹⁾ Includes funding for OPEB.

⁽²⁾ Includes employees funded by certain special funds in addition to the General Fund.

⁽³⁾ Adjustments include various "true-ups" for such adjustments as the retroactive upgrade of past Tier 2 members to Tier 1, the family death benefit plan, the limited term retirement plan, excess benefits, and the enhanced benefit for the Airport Peace Officers who remain in LACERS.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below illustrates the City's projected contributions to LACERS for the next four fiscal years from Council-Controlled Departments (excluding the proprietary departments) based on projected rates from the City's consulting actuary applied against projected payroll by the CAO. These projected contributions illustrate the projected cost of both pension and OPEB. Note that these projections assume a 14 percent return in 2020-21 (actual returns were approximately 30 percent) as well as the actuarial rate of 7.00 percent thereafter.

Table 15
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PROJECTED CONTRIBUTIONS
(\$ in thousands)

	<u>Estimated</u> <u>2021-22</u>	<u>Projection</u> <u>2022-23</u>	<u>Projection</u> <u>2023-24</u>	<u>Projection</u> <u>2024-25</u>	<u>Projection</u> <u>2025-26</u>
Contributions for Council-controlled Departments ⁽¹⁾⁽²⁾	\$601,450	\$685,774	\$695,105	\$702,496	\$665,090
Percentage of Payroll ⁽³⁾	32.15%	32.30%	31.92%	31.52%	29.27%
Incremental Change	\$68,800	84,332	\$9,331	\$7,391	\$(37,405)
% Change	12.92%	14.02%	1.36%	1.06%	(5.32)%

⁽¹⁾ Includes the General Fund and various special funds.

⁽²⁾ Assumes 14.00% return on investment in 2020-21 and 7.00% thereafter.

⁽³⁾ Reflects combined rates for all benefit tiers.

Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

Los Angeles Fire and Police Pension Plan (“LAFPP”)

The LAFPP, established in 1899 and incorporated into the Charter in 1923, represents contributory plans covering uniformed fire, police, and some Department of Harbor and some Department of Airports police. As of June 30, 2020, the date of its most recent actuarial valuation, the LAFPP had 13,486 active members (including 126 in Harbor and 100 in Airport), 13,291 retired members and beneficiaries, and 575 vested former members.

Six tiers of benefits are provided, depending on the date of the member’s hiring. No active members are in Tier 1, while Tier 2 had only 5 active members as of June 30, 2020, although both tiers have beneficiaries. Sixty-five percent of active members are in Tier 5, and 29 percent are in Tier 6.

Amortization of UAAL may be calculated differently for different tiers. A Charter amendment adopted by City voters on March 8, 2011 provided the LAFPP Board with greater flexibility to establish amortization and plan funding policies. Under the LAFPP Board’s current actuarial funding policy, actuarial gains or losses are amortized over 20 years; changes in actuarial assumptions and cost methods are amortized over 20 years; plan amendments are amortized over 15 years; and actuarial funding surpluses are amortized over 30 years.

Similar to LACERS, LAFPP has adopted various asset smoothing methods. Generally, market gains or losses are recognized over seven years, so that approximately 1/7 of market losses or gains are recognized each year in the actuarial valuation. LAFPP uses a 40 percent market corridor, so that the actuarial value of assets must be between 60 percent and 140 percent of the market value of assets. If the actuarial value falls below 60 percent or rises above 140 percent of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing.

Within the LAFPP, there is a Deferred Retirement Option Plan (“DROP”). This voluntary plan allows members to retire, for pension purposes only, after they are eligible to retire and have completed at least 25 years of service. A member entering DROP continues to work and receive salary and benefits as an active employee but stops accruing additional salary and service credits for retirement purposes. While in DROP, the member’s retirement benefit is deposited into an interest-bearing account that is distributed to the member when he or she leaves City service. Participation in DROP is generally limited to a maximum of five years. The City’s actuary assumes that 95 percent of eligible active members will elect DROP prior to retirement. As of June 30, 2020, 1,478 active members participated in DROP.

Based on the advice of its actuary, the LAFPP Board reduced its assumed rate of investment return from 7.50 percent to 7.25 percent in 2017, lowering it again to 7.00 percent in May 2020 (lowering its inflation assumption from 3.00 percent to 2.75 percent as well). In addition to the economic assumptions, the LAFPP Board adopted the actuary’s recommendations to adjust various other assumptions such as retirement, termination, and disability incidence rates. There were no changes in the mortality assumptions since the Board adopted new public safety mortality assumptions in December 2019. Adoption of the economic and non-economic assumption changes was estimated to increase City contributions by 2.3 percent of payroll. The new assumptions were used in the June 30, 2020 actuarial valuation, which was adopted by the Board on November 19, 2020 and will determine the City’s contribution rate for Fiscal Year 2021-22.

The most recent valuation was adopted by the LAFPP Board in November 2020, which resulted in a lower aggregate City contribution rate for 2021-22; however, the UAAL for both pension and OPEB benefits increased slightly from \$3.01 billion to \$3.12 billion.

The table below shows the actuarial value of the City's liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LAFPP, the funded ratio and the ratio of UAAL to annual payroll.

Table 16
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
(\$ in thousands) ⁽¹⁾

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	UAAL ⁽²⁾	Funded Ratio ⁽³⁾	Covered Payroll ⁽⁴⁾	UAAL As a percentage of Covered Payroll ⁽⁵⁾
2011	\$14,337,669	\$16,616,476	\$2,278,807	86.3%	\$1,343,963	169.6%
2012	14,251,913	17,030,833	2,778,920	83.7	1,341,914	207.1
2013	14,657,713	17,632,425	2,974,712	83.1	1,367,237	217.6
2014	15,678,480	18,114,229	2,435,749	86.6	1,402,715	173.6
2015	16,770,060	18,337,507	1,567,447	91.5	1,405,171	111.5
2016	17,645,338	18,798,510	1,153,172	93.9	1,400,808	82.3
2017	18,679,221	20,411,024	1,731,803	91.5	1,475,539	117.4
2018	19,840,070	21,364,804	1,524,734	92.9	1,546,043	98.6
2019	21,037,711	22,474,125	1,436,414	93.6	1,583,808	90.7
2020	22,106,722	23,727,315	1,620,593	93.2	1,670,245	97.0

⁽¹⁾ Table includes funding for retirement benefits only. Other post-employment benefits not included.

⁽²⁾ Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.

⁽³⁾ Actuarial value of assets divided by actuarial accrued liability.

⁽⁴⁾ Projected annual payroll against which UAAL amortized.

⁽⁵⁾ UAAL divided by covered payroll.

Source: LAFPP Actuarial Valuations and Review of Retirement and Other Post-Employment Benefits as of June 30, 2020.

The actuarial value of assets is different from the market value of assets, as the actuarial value smooths asset gains and losses over a number of years. The following table shows the funding progress of LAFPP based on the market value of the portion of system assets allocated to retirement benefits.

Table 17
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
(\$ in thousands)⁽¹⁾

Actuarial Valuation As of June 30	Market Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Liability ⁽²⁾	Funded Ratio (Market Value) ⁽³⁾	Covered Payroll ⁽⁴⁾	Unfunded Liability As a Percentage of Covered Payroll (Market Value) ⁽⁵⁾
2011	\$13,564,904	\$16,616,476	\$3,051,572	81.6%	\$1,343,963	227.1%
2012	13,268,687	17,030,833	3,762,146	77.9	1,341,914	280.4
2013	14,729,976	17,632,425	2,902,449	83.5	1,367,237	212.3
2014	16,989,705	18,114,229	1,124,525	93.8	1,402,715	80.2
2015	17,346,554	18,337,507	990,953	94.6	1,405,171	70.5
2016	17,104,276	18,798,510	1,694,234	91.0	1,400,808	120.9
2017	18,996,721	20,411,024	1,414,303	93.1	1,475,593	95.8
2018	20,482,133	21,364,804	882,671	95.9	1,546,043	57.1
2019	21,262,200	22,474,125	1,211,925	94.6	1,583,808	76.5
2020	21,396,933	23,727,315	2,330,382	90.2	1,670,245	139.5

⁽¹⁾ Table includes funding for retirement benefits only. Other post-employment benefits not included.

⁽²⁾ Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a deficit.

⁽³⁾ Market value of assets divided by actuarial accrued liability.

⁽⁴⁾ Projected annual payroll against which liability is amortized.

⁽⁵⁾ UAAL divided by covered payroll.

Source: Calculated by CAO based on data from LAFPP Actuarial Valuations.

The table below provides a ten-year history of the funding progress for healthcare benefit liabilities of the LAFPP.

Table 18
OTHER POST-EMPLOYMENT BENEFITS
FIRE AND POLICE PENSION PLAN
(\$ in thousands)

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL ⁽¹⁾	Funded Ratio ⁽²⁾	Covered Payroll ⁽³⁾	Unfunded AAL As a Percentage of Covered Payroll ⁽⁴⁾
2011	\$ 882,890	\$2,557,607	\$1,674,717	34.5%	\$1,343,963	124.6%
2012	927,362	2,499,289	1,571,927	37.1	1,341,914	117.1
2013	1,013,400	2,633,793	1,620,393	38.5	1,367,237	118.5
2014	1,200,874	2,783,283	1,582,409	43.1	1,402,715	112.8
2015	1,344,333	2,962,703	1,618,370	45.4	1,405,171	115.2
2016	1,480,810	3,079,670	1,598,860	48.1	1,400,808	114.1
2017	1,637,846	3,322,746	1,684,900	49.3	1,475,539	114.2
2018	1,819,359	3,547,777	1,728,417	51.3	1,546,043	111.8
2019	2,016,202	3,590,023	1,573,821	56.2	1,583,808	99.4
2020	2,214,552	3,709,858	1,495,307	59.7	1,670,245	89.5

⁽¹⁾ Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.

⁽²⁾ Actuarial value of assets divided by actuarial accrued liability.

⁽³⁾ Projected annual payroll against which UAAL amortized.

⁽⁴⁾ UAAL divided by covered payroll.

Source: The Fire and Police Pension Plan System Actuarial Valuations.

The table below summarizes the General Fund's payments to LAFPP over the past four years and payments included in the 2021-22 Budget. This table includes costs for both pensions and retiree health care, as well as the plan's administrative expenses.

Table 19
LOS ANGELES FIRE AND POLICE PENSION PLAN
SOURCES AND USES OF CONTRIBUTIONS
(\$ in thousands)

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
General Fund ⁽¹⁾	<u>\$634,905</u>	<u>\$687,867</u>	<u>\$705,076</u>	<u>\$738,908</u>	<u>\$721,998</u>
Percent of Payroll	44.26%	46.85%	47.37%	46.79%	45.89%
Current Service Liability	\$332,409	\$344,786	\$349,256	\$382,639	\$393,940
UAAL/(Surplus)	288,567	325,312	337,815	337,154	306,679
Administrative Costs	13,929	17,769	18,005	19,115	21,379
Total	<u>\$634,905</u>	<u>\$687,867</u>	<u>\$705,076</u>	<u>\$738,908</u>	<u>\$721,998</u>

⁽¹⁾ The City funds an Excess Benefit Plan outside LAFPP to provide for any benefit payments to retirees that exceed IRS limits. Amounts deposited in that account are credited against the City's annual contribution to LAFPP.

Source: City of Los Angeles, Office of the City Administrative Officer.

Historically, plan members did not contribute to offset the City's costs of retiree healthcare subsidy benefits, as all such costs were funded from the employer's contribution and investment returns thereon. In 2011, the City negotiated with the sworn bargaining units the option of a 2 percent active employee contribution to offset the cost of retiree healthcare for its sworn workforce hired before July 1, 2011. Sworn employees hired on and after July 1, 2011 are members of Tier 6, which requires an additional 2 percent contribution to offset the cost of retiree healthcare. Employees who contribute to retiree healthcare benefits are vested in future subsidy increases authorized by the retirement board. For those sworn employees that opted not to make an additional contribution to offset the cost of retiree healthcare, their retiree health subsidy has been frozen and cannot surpass the maximum subsidy level in effect as of July 1, 2011.

A consolidated lawsuit is still pending challenging the LAFPP Board's exercise of its discretion to annually increase the subsidy for sworn employees who opted to make an additional contribution to offset the cost of retiree healthcare. See "LITIGATION".

The table below illustrates the City's projected contributions to LAFPP for the next four fiscal years based on projected rates from the LAFPP's consulting actuary applied against projected payroll by the CAO. These illustrative tables show the projected cost of contributions for both pension and OPEB. Note these projections assume a 14 percent return in 2020-21 (actual returns were approximately 29 percent) as well as the actuarial rate of 7.00 percent thereafter.

Table 20
LOS ANGELES FIRE AND POLICE PENSION PLAN
PROJECTED CONTRIBUTIONS⁽¹⁾
(\$ in thousands)

	Estimated <u>2021-22</u>	Projected <u>2022-23</u>	Projected <u>2023-24</u>	Projected <u>2024-25</u>	Projected <u>2025-26</u>
General Fund	\$721,998	\$764,996	\$784,923	\$779,468	\$716,307
Percentage of Payroll	45.89%	45.27%	44.61%	43.21%	38.88%
Incremental Change	\$(30,190)	\$42,998	\$19,927	\$(5,454)	\$(63,161)
% Change	(4.01)%	5.95%	2.60%	(0.69) %	(8.10) %

⁽¹⁾ Assumes 14.00% return on investment in 2020-21 and 7.00% thereafter.

Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

City Treasury Investment Practices and Policies

The Director of Finance, serving in the capacity of City Treasurer, invests available cash for the City, including that of the proprietary departments, as part of a pooled investment program that combines general receipts with special funds for investment purposes and allocates interest earnings on a pro-rata basis when the interest is earned. The Treasurer also maintains a limited number of special pools established for specific purposes.

The City's General Pool is further divided into a core pool, a reserve pool, and an extended reserve pool. The core or liquidity portion is targeted at the City's net liquidity requirements for six months. All investments in the core section of the portfolio have maturities of one year or less. Most of the balance of the General Pool that is not required for the City's six-month liquidity requirement is invested in the reserve portfolio. The reserve portfolio holds investments ranging from one to five years. In January 2020, the City created an extended reserve portfolio, which pursues a primary investment objective of providing an enhancement of overall interest earnings with longer term investments. Holdings in that portfolio consist of U.S. Treasury and Agency bonds only, with a maximum maturity of ten years.

Table 21
POOLED INVESTMENTS
Portfolio Characteristics
as of June 30, 2021

<u>Portfolio Funds</u>	<u>Amount of Funds at Market Value</u>	<u>Percent of Investment Pool</u>	<u>Average Weighted Maturity</u>
Core Portfolio	\$ 4,071,767,882	32.5%	74 days
Reserve Portfolio	5,810,204,475	46.4%	2.8 years
Extended Reserve Portfolio	<u>2,633,473,454</u>	<u>21.0%</u>	<u>7.0 years</u>
Total Investment Pool	\$12,515,445,810	100.0%	2.8 years

The following summarizes the City's pooled investment program as of its most recent investment report.

Table 22
POOLED INVESTMENT FUND
GENERAL POOL
As of June 30, 2021

Description	Par Value	Market Value	Percent of Total Funds (Market Value)	Average Days
Bank Deposits ⁽¹⁾	\$ 10,000,000	\$ 10,000,000	0.08%	0
Money Market Funds	703,050,575	703,050,328	5.62	0
LAIF (State of California)	299,996,916	299,996,916	2.40	0
Subtotal Cash and Overnight Investments	\$1,013,047,490	\$1,013,047,244	8.09%	0
Commercial Paper	\$1,438,803,000	\$1,438,661,348	11.50%	43
Negotiable Certificates of Deposit	660,256,000	660,267,800	5.28	19
Corporate Notes	242,000,000	245,157,840	1.96	230
U.S. Agencies/Munis/Supras	70,000,000	71,033,800	0.57	303
U.S. Treasuries	636,600,000	643,599,850	5.14	230
Subtotal: Pooled Investments	\$3,047,659,000	\$3,058,720,638	24.44%	98
Total Short-Term Core Portfolio	\$4,060,706,490	\$4,071,767,882	32.53%	74
Money Market Funds	\$ 150,000	\$ 150,000	0.00%	0
Commercial Paper	0	0	0.00	0
Negotiable Certificates of Deposit	0	0	0.00	0
Corporate Notes	971,500,000	991,008,575	7.92	1,092
Asset-Backed Securities	54,013,139	54,958,980	0.44	1,111
U.S. Agencies/Munis/Supras	480,950,000	486,918,254	3.89	1,514
U.S. Treasuries	6,743,000,000	6,910,642,120	55.22	1,555
Total Long-Term Reserve Portfolios	\$8,249,613,139	\$8,443,677,929	67.47%	1,495
Total Cash and Pooled Investments	\$12,310,319,629	\$12,515,445,810	100.00%	1,033

⁽¹⁾ Collected balance for Wells Fargo Active Accounts.

Source: City of Los Angeles, City Treasurer.

The City's treasury operations are managed in compliance with the California Government Code and according to the City's Statement of Investment Policy (the "Investment Policy"), which sets forth liquidity parameters, maximum maturities and permitted investment vehicles, which include U.S. Treasuries, U.S. Government Agencies and Corporate Notes. Additionally, daily investment activity is reviewed independently by an outside investment advisor to ensure that all security transactions are in accordance with all policies as delineated above.

The Treasurer does not invest in range notes, inverse floating rate investments, or mortgage-derived interest or principal-only strips, among other instruments prohibited by State law and the City's Investment Policy.

The Investment Policy permits the Treasurer to engage custodial banks to enter into short-term arrangements to loan securities to various brokers. Cash and/or securities (U.S. Treasuries, U.S. Government Agencies and Corporate Notes) collateralize these lending arrangements, the total value of which is at least 102 percent of the market value of securities loaned out. The securities lending program is limited to a maximum of 20 percent of the market value of the Treasurer's pool by the City's Investment Policy and the California Government Code.

Capital Program

The City adopted a revised Capital and Technology Improvement Policy (the “Capital Policy”) in May 2020 to help guide the City’s process for planning, identifying, evaluating, and prioritizing funding for new capital and technology projects. Among other things, the new Capital Policy updates an annual minimum investment target of 1.5 percent of General Fund revenue for the City’s capital and technology improvements, starting in Fiscal Year 2021-22.

As directed by the Capital Policy, the City will begin publishing a multi-year Capital and Technology Improvement Plan (the “CTIP”), which will reflect the highest priorities for projects funded from Council-controlled sources.

The table below provides the City’s preliminary multi-year funding summary for various asset classes. The summary reflects the projected capital needs for projects authorized and will be updated as the CTIP is developed. These figures were developed independently from the projection used in developing the Outlook (Table 4), which did not project any major General Fund increase in capital spending. The table below reflects, and particularly in years 3 and 4, significantly higher future expenditures.

Table 23
CAPITAL AND TECHNOLOGY IMPROVEMENT PLAN⁽¹⁾
(\$ in thousands)

<u>Funding Sources</u>	<u>Year 1</u> <u>(2020-21)</u>	<u>Year 2</u> <u>(2021-22)</u>	<u>Years 3-4⁽²⁾</u> <u>(2022-2024)</u>	<u>Total Costs</u> <u>(Years 1-4)</u>
MUNICIPAL FACILITIES⁽³⁾				
General Fund	\$ 7,800	\$ 28,000	\$ 723,000	\$ 758,800
Lease Revenue Bonds	88,300	107,300	1,234,000	1,429,600
General Obligation Bonds	-	-	-	-
Special Funds ⁽⁴⁾	14,800	9,800	145,000	169,600
Total	\$110,900	\$145,100	\$2,102,000	\$2,358,000
PHYSICAL PLANT⁽⁵⁾				
General Fund	\$ 27,600	\$ 83,500	\$ 117,800	\$ 228,900
Lease Revenue Bonds	-	30,000	30,000	60,000
General Obligation Bonds	-	-	-	-
Special Funds ⁽⁴⁾	285,000	321,100	1,171,600	1,777,700
Total	\$312,600	\$434,600	\$ 1,319,400	\$2,066,600
INFORMATION TECHNOLOGY⁽⁶⁾				
General Fund	\$ 22,600	\$ 44,200	\$ 22,900	\$ 89,700
Lease Revenue Bonds	-	3,600	5,800	9,400
General Obligation Bonds	-	-	-	-
Special Funds ⁽⁴⁾	21,700	2,800	-	24,500
Total	\$ 44,300	\$ 50,600	\$ 28,700	\$ 123,600
GRAND TOTAL	\$467,800	\$630,300	\$ 3,450,100	\$4,548,200

⁽¹⁾ Preliminary. Subject to change.

⁽²⁾ Includes major projects for which funding has yet to be identified and may be deferred.

⁽³⁾ The Municipal Facilities elements include administrative buildings, recreational and cultural facilities, libraries, animal shelters, public safety facilities, and yards and shops.

⁽⁴⁾ Special Funds include the Park & Recreational Sites & Facilities Fund, the Arts and Cultural Facilities and Services Trust Fund, the Measure W Local Return Fund, the Measure M Local Return Fund, the Road Maintenance and Rehabilitation Program Special (SB1) Fund, the Public Works Trust Fund, the Stormwater Pollution Abatement Fund, the Street Damage Restoration Fund, the Special Gas Tax Street Improvement Fund, and various grant funds.

⁽⁵⁾ The Physical Plant elements include stormwater, street, street lighting, slope stability, bicycle, and pedestrian projects. Does not include Wastewater and Solid Waste capital projects, which have their own individual capital programs, and are funded by a combination of revenues and revenue bonds.

⁽⁶⁾ The Information and Technology elements include citywide infrastructure and major projects and system replacements. Information Technology projects would not include infrastructure or systems with an estimated cost of less than \$1 million unless the project is determined to have a significant citywide impact.

Source: Office of the City Administrative Officer

A number of large infrastructure projects the City is considering pursuing could result in major long-term commitments of funds that have not yet been identified and which are not included in the table above. Other major capital expenditures could include such municipal facility improvements as expansions of the civic center and the convention center, which together could cost \$2 billion or more. An additional \$2 billion in recreation and park facility needs have also been identified. Physical plant improvements could include some \$4.5 billion in street repairs, \$1.5 billion in sidewalk repairs, and \$1 billion in flood control improvements.

The City is also exposed to major costs associated with compliance with the Clean Water Act (“CWA”), which regulates the discharges of pollutants by establishing quality standards. The City is responsible for helping to ensure that up to 192 pollutants in five bodies of water do not exceed certain maximum levels. The City’s share of the costs of projects required to meet these requirements could total \$8 billion through 2037. One source of funding for these CWA costs will be from a special parcel tax approved by Los Angeles County voters in 2018. The City received \$35.9 million from this source in 2020-21 and \$32 million is budgeted in 2021-22. See “OTHER MATTERS—Clean Water Compliance.”

The City has also sought funding from the Army Corps of Engineers for restoration of the Los Angeles River, which could cost in excess of \$1.5 billion and require substantial matching funds from the City.

MAJOR GENERAL FUND REVENUE SOURCES

The following is a discussion of the City's principal General Fund revenue sources. The table below presents actual General Fund revenues for Fiscal Years 2017-18, 2018-19 and 2019-20, estimated revenues for Fiscal Year 2020-21, and budgeted revenues for Fiscal Year 2021-22.

Table 24
GENERAL FUND RECEIPTS⁽¹⁾
(\$ in thousands)

	2017-18 <u>Actual</u>	2018-19 <u>Actual</u>	2019-20 <u>Actual</u>	2020-21 <u>Estimate</u>	2021-22 <u>Budget</u>
Property Tax	\$1,851,833	\$2,010,508	\$2,132,308	\$2,261,356	\$2,400,250
Property Tax Increment (Former CRA/LA)	88,507	73,971	84,054	128,042	111,990
Utility Users Tax	625,853	644,152	638,379	615,238	605,050
Departmental Receipts	1,015,490	1,129,767	1,198,296	1,257,516	1,244,790
Business Tax	554,521	603,123	655,849	692,386	716,600
Sales Tax	529,757	581,443	556,237	524,618	606,610
Documentary Transfer Tax	207,815	206,211	205,473	235,922	227,005
Power Revenue Transfer	241,848	232,557	229,913	218,355	225,819
Transient Occupancy Tax	299,108	318,888	253,539	110,427	183,300
Parking Fines	138,766	129,900	114,865	93,347	123,621
Parking Occupancy Tax	115,937	120,949	106,979	58,844	99,337
Franchise Income	56,869	84,314	84,020	84,303	94,657
State Motor Vehicle License Fees	2,127	1,946	3,198	2,942	2,942
Grants Receipts	8,548	11,613	18,398	43,690 ⁽²⁾	91,343 ⁽³⁾
Tobacco Settlement	10,952	10,616	10,178	11,489	11,489
Residential Development Tax	6,545	4,918	4,821	4,392	4,800
Special Parking Revenue Transfer	31,000	32,115	31,294	-	8,477
Interest Income	24,916	34,099	46,429	27,112	20,603
<u>American Rescue Plan Transfer</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>639,450</u>	<u>639,450</u>
Subtotal General Fund Revenues	\$5,810,392	\$6,231,090	\$6,374,231	\$7,009,427	\$7,418,133
<u>Reserve Fund Transfer</u>	<u>9,108</u>	<u>5,791</u>	<u>195,465</u>	<u>-</u>	<u>85,090</u>
Total General Fund	<u>\$5,819,500</u>	<u>\$6,236,881</u>	<u>\$6,569,696</u>	<u>\$7,009,427</u>	<u>\$7,503,223</u>

(1) Cash basis. Totals may not add due to total independent rounding.

(2) Includes \$30.7 million in FEMA reimbursement.

(3) Includes \$73.8 million in FEMA reimbursement.

Source: City of Los Angeles, Office of the City Administrative Officer.

Both the 2020-21 estimated revenues and the 2021-22 Budget rely on ARPA funding. See “OVERVIEW OF THE CITY’S FINANCIAL CONDITION” and “BUDGET AND FINANCIAL OPERATIONS” for a discussion of the appropriation of these funds to the General Fund.

For purposes of this Appendix A and in the City’s various budget documents, revenues are reported on a “cash” basis, meaning receipts are recognized when cash is received. This method differs from GAAP, which recognizes revenues on a “modified accrual” basis. The City’s Annual Financial Report includes reporting of revenues based on GAAP. See the City’s Annual Financial Report Note 1-D for a discussion of the basis for reporting.

Property Tax

Property taxes, including various State replacements and the reallocation of tax increment from the dissolution of redevelopment agencies, represent 33.5 percent of General Fund revenues in the 2021-22 Budget. The City has limited information of the impact of the pandemic and the recession on the valuation of its property tax base.

The assessed valuation of property is established by the County Assessor as of each January 1, except for public utility property, which is assessed by the State Board of Equalization. Real property is reassessed at market value on the date property changes ownership (with limited exceptions) or upon completion of new construction. A supplemental tax is collected for the remainder of the tax year. Under the State Constitution and legislation, *ad valorem* taxes on real property (other than taxes relating to certain voter-approved indebtedness) are limited as described under “LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the California Constitution – Proposition 13.”

A property owner may apply for a reduction of the property tax assessment for that owner’s property (known as a “Proposition 8” appeal). The County Assessor may also reduce valuations based on current economic value, without a taxpayer appeal.

The State Constitution and statutes provide exemption from reassessment of property upon certain changes of ownership, such as between spouses or certain intergenerational transfers, and from *ad valorem* property taxation for certain classes of property, such as local governments, churches, colleges, nonprofit hospitals, and charitable institutions. State law also allows exemptions from *ad valorem* property taxation at \$7,000 of full value of owner-occupied dwellings and 100 percent of business inventories. Revenue losses to the City from the homeowner’s exemption are replaced by the State.

The County collects the *ad valorem* taxes. Taxes arising from the 1 percent levy are apportioned among local taxing agencies on the basis of a formula established by State law. Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. The County deducts the pro-rata cost of collecting property taxes from the City’s allocation.

All taxable real and personal property is classified as either “secured” or “unsecured.” The “secured roll” contains real property (land and improvements), certain taxable personal property (such as business equipment on business-owned property), and possessory interests (a leasehold on otherwise exempt government property). The “unsecured roll” contains all other taxable property, the majority of which is business equipment on leased or rented premises, and other taxable personal property such as boats and aircraft, as well as delinquent possessory interests. The balance of personal property has been exempted by State law from property taxes.

Property taxes on the secured roll are due in two installments, which become delinquent after December 10 and April 10, respectively. A 10 percent penalty is added to delinquent taxes. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5 percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, title to the property passes to the State and is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll become delinquent on August 31. A 10 percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5 percent per month begins to accrue on November 1. The taxing authority has several ways of collecting delinquent unsecured personal property taxes.

The County has not elected to implement the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly referred to as the “Teeter Plan”), whereby counties may opt to remit to local agencies the amount of uncollected taxes in exchange for retaining any subsequent delinquent payments, penalties and interest that would have been due to the local agency. As such, the City’s property tax revenues reflect both reduced property tax

revenue from uncollected taxes and increased revenue from the subsequent receipt of delinquent taxes, interest and penalty payments.

Recent assessed valuations by revenue category appear in the table below.

Table 25 ASSESSED VALUATION⁽¹⁾					
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Locally Assessed					
Land	\$306,136,812,787	\$329,102,259,292	\$352,506,933,714	\$375,613,820,236	\$394,598,572,212
Improvements	260,935,746,380	280,224,446,180	299,590,583,910	319,689,264,560	332,201,374,517
Personal Property	4,163,011,484	3,299,927,802	4,020,257,586	3,997,131,756	4,019,429,073
Less: Exemptions ⁽²⁾	<u>24,236,863,599</u>	<u>23,950,069,180</u>	<u>26,571,608,102</u>	<u>26,822,209,552</u>	<u>29,365,270,443</u>
Total Locally Assessed	\$546,998,707,052	\$588,676,564,094	\$629,546,167,108	\$672,478,007,000	\$701,454,105,359
Public Utilities ⁽³⁾	73,781,054	40,022,411	42,153,347	66,084,991	73,778,428
Unsecured Valuations	<u>20,848,434,238</u>	<u>22,575,613,220</u>	<u>23,370,052,850</u>	<u>23,469,028,925</u>	<u>22,238,902,102</u>
Gross Revenue-Producing Valuations	\$567,920,922,344	\$611,292,199,725	\$652,958,373,305	\$696,013,120,916	\$723,766,785,889
Less: Homeowners' Exemptions ⁽⁴⁾	<u>2,411,313,641</u>	<u>2,364,506,686</u>	<u>2,329,536,808</u>	<u>2,264,753,291</u>	<u>2,226,637,411</u>
Net Local Revenue-Producing Valuations	\$565,509,608,703	\$608,927,693,039	\$650,628,836,497	\$693,748,367,625	\$721,540,148,478
Change from Prior Year	6.6%	7.7%	6.8%	6.6%	4.01%
⁽¹⁾ As of January 1 of each year. These values apply to taxes levied in the fiscal year beginning the subsequent July 1. The information above is provided by the County in August of the relevant fiscal year. ⁽²⁾ Exclusive of the Homeowner Exemption. ⁽³⁾ Assessed by the State Board of Equalization. ⁽⁴⁾ Exemptions reimbursed to local governments by the State.					
Source: County of Los Angeles, Office of the Auditor-Controller, Assessed Valuations Reports.					

Prior to Fiscal Year 2010-11, a portion of the property taxes collected in the City were allocated to redevelopment project areas as tax increment. As part of the State's Fiscal Year 2011-12 Budget, legislation was approved to eliminate redevelopment agencies. A portion of the funds previously allocated to the City's Community Redevelopment Agency, including the proceeds from the sale of property, is now allocated to overlapping taxing jurisdictions, including the City, based on a legislatively mandated process. Because the proceeds from property sales are difficult to predict, the City reports property tax increment revenue from the former Community Redevelopment Agency separately from its other property tax revenues, as reported in the "General Fund Receipts" table, above.

Property taxes arising from the 1 percent levy are apportioned among local taxing agencies on the basis of a formula established by State law. Over the years, State budget pressures have resulted in various reallocations of property tax revenues, including transfers to school and community college districts by means of an Educational Revenue Enhancement Fund, the dissolution of redevelopment, the "Triple Flip" of property tax and sales tax receipts to secure certain State bonds (which ended in Fiscal Year 2016-17), and the "backfill" of reallocated Vehicle License Fee revenues with an increased allocation of property taxes. While limits on such reallocations have been instituted, no assurance can be given that property tax reallocations will not occur in the future. See "LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A."

The table below summarizes the City's receipt of the basic 1 percent property tax and those reallocations received as property tax. This table excludes property tax attributable to the

dissolution of the Los Angeles Community Redevelopment Agency and the *ad valorem* tax levied to pay general obligation bond debt service; the latter is not reported in the General Fund.

The 2021-22 Budget assumed 5.9 percent growth in its property tax base and a 6.1 percent increase in property tax revenue. Subsequently, the County Assessor (the “Assessor”) reported that assessed valuation for the City increased by 4.0 percent in 2021-22. As a result, estimated City property tax receipts may fall short of the adopted budget between \$27.6 million and \$52.0 million.

Table 26
PROPERTY TAX - ALL SOURCES⁽¹⁾
Annual Property Tax by Account
(\$ in thousands)

	Actual <u>2017-18</u>	Actual <u>2018-19</u>	Actual <u>2019-20</u>	Estimated <u>2020-21</u>	Budget <u>2021-22</u>
Secured	\$1,331,529	\$1,458,252	\$1,528,635	\$1,612,184	\$1,723,575
Unsecured	53,251	56,894	59,230	57,782	56,380
Homeowner Exemption	7,980	7,875	7,941	7,771	7,690
Supplemental	34,555	39,270	39,039	40,469	42,655
Redemptions	20,704	19,622	21,375	31,241	30,920
County Admin Charges	(18,885)	(20,818)	(21,153)	(22,723)	(24,410)
Refunds	(17,972)	(23,084)	(19,547)	(15,701)	(19,550)
Adjustments	821	(941)	911	56	-
Miscellaneous Property	7,300	7,045	10,167	11,221	12,390
1% Property Tax	\$1,419,284	\$1,544,112	\$1,626,598	\$1,722,300	\$1,829,650
Percent Change ⁽²⁾	7.3%	8.8%	5.3%	5.9%	6.2%
State Vehicle License Fee Replacement	<u>439,849</u>	<u>473,440</u>	<u>505,710</u>	<u>539,055</u>	<u>570,600</u>
Property Tax All Sources	\$1,859,133	\$2,017,552	\$2,132,308	\$2,261,356	\$2,400,250
Percent Change	3.3%	8.5%	5.7%	6.1%	6.1%

⁽¹⁾ Cash basis.

⁽²⁾ Note that changes in 1% Property Tax receipts do not directly correspond to changes in assessed valuation, as it includes prior year delinquencies and penalties, among other adjustments.

Source: City of Los Angeles, Office of the City Administrative Officer.

A list of the 20 largest property taxpayers, based on secured assessed valuations within the City, for 2021-22, appears in the table below. The tax roll for the next fiscal year is typically released in the summer.

Table 27
CITY OF LOS ANGELES
TWENTY LARGEST 2021-22 SECURED PROPERTY TAXPAYERS

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2021-22 Secured Assessed Valuation</u>	<u>Percent of Secured AV⁽¹⁾</u>
Douglas Emmett LLC	Office Building	\$ 2,672,575,239	0.38%
Essex Portfolio LP	Apartments	1,466,229,531	0.21
Century City Mall LLC	Shopping Center	1,091,138,977	0.16
Greenland LA Metropolis	Apartments with Retail	966,598,953	0.14
FSP South Flower Street	Office Building	964,738,709	0.14
Hanjin International Corp.	Hotel	867,474,871	0.12
Rochelle H. Sterling	Apartments	838,124,648	0.12
Omni Wilshire Courtyard LLC	Office Building	794,670,367	0.11
Anheuser Busch Commercial	Industrial	762,511,489	0.11
Valero Energy Corporation	Petroleum	746,204,280	0.11
One Hundred Towers LLC	Office Building	687,016,162	0.10
Trizec 333 LA LLC	Office Building	673,797,273	0.10
Tesoro Corporation	Petroleum	670,068,162	0.10
Maguire Partners 355 S. Grand LLC	Office Building	630,139,070	0.09
BRE HH Property Owner LLC	Office Building	625,298,936	0.09
APM Terminals Pacific Ltd.	Terminal Operations	614,119,000	0.09
Olympic and Georgia Partners LLC	Hotel	601,431,351	0.09
Tishman Speyer Archstone Smith	Apartments	600,722,759	0.09
LA Live Properties LLC	Commercial	561,741,163	0.08
Maguire Properties 555 W Fifth	Office Building	552,468,542	0.08
Total		\$17,387,069,482	2.48%

⁽¹⁾ Based on 2021-22 Local Secured Assessed Valuation of \$701,454,105,359. Total does not add due to rounding.

Source: California Municipal Statistics, Inc.

For additional information on the City's property tax base, see "PART 2—HISTORIC, ECONOMIC AND DEMOGRAPHIC INFORMATION," Table 59: Assessed Valuation and Parcels by Land Use and Table 60: Per Parcel Assessed Valuation of Single-Family Residential Properties.

Utility Users Taxes

Utility users taxes represent 8.1 percent of General Fund revenues in the 2021-22 Budget. The City imposes taxes on users of natural gas, electricity and communication services within the City's limits. The tax rate is 9 percent of utility charges on taxable communication services, 10 percent for natural gas and residential electricity, and 12.5 percent for commercial and industrial electricity.

Revenue estimates account for known impacts, such as DWP rate increases, and market indicators, such as natural gas futures. Utility users tax receipts can be variable, as they reflect not only power, gas and telephone rates, but also business activities and changing technologies. Both

electricity and natural gas sales are sensitive to weather (warm winters and cool summers reduce demand); for example, the increase in gas users tax receipts in 2018-19 reflects an unusually cold winter.

Projected revenues in 2021-22 for the electricity users tax were based on estimates provided by DWP. Communication users tax receipts have declined as consumers abandon landline communication and switch to cheaper voice and texting mobile communication plans.

The City's prior telephone users tax ordinance has been the subject of litigation challenging the application of the tax to certain telecommunications services, most of which have been resolved. See "LITIGATION—*Telephone Utility Users Tax Cases*." Receipts from this tax have been declining due to changes in telephone use and pricing.

The table below shows the actual and budgeted receipts from utility users taxes.

Table 28 UTILITY USERS TAX RECEIPTS⁽¹⁾ (\$ in thousands)					
	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>Estimated 2020-21</u>	<u>Budget 2021-22</u>
Electric Users Tax	\$386,525	\$417,489	\$434,847	\$429,228	\$435,950
Gas Users Tax	68,028	77,035	73,837	72,752	74,100
Communications Users Tax	<u>171,300</u>	<u>149,628</u>	<u>129,695</u>	<u>113,259</u>	<u>95,000</u>
Total	\$625,853	\$644,152	\$638,379	\$615,238	\$605,050
Change from Prior Year	0.2%	2.9%	(0.9)%	(3.6)%	(1.7)%
⁽¹⁾ Cash basis.					
Source: City of Los Angeles, Office of the City Administrative Officer.					

Departmental Receipts

This category of revenues includes reimbursements to the General Fund from various special revenue and enterprise funds of the City, and charges for special services performed by City departments. Reimbursements include the costs of police, fire and other City services to the Airports and Harbor departments, staff costs for the sewer construction and maintenance program, and reimbursements from the Los Angeles County Metropolitan Transportation Authority ("MTA") for police services on its bus and rail lines pursuant to a contract between the MTA and the City. These revenues also include charges imposed as regulatory measures by City departments, and fees charged for paramedic ambulance services. In prior years, this revenue category was called "Licenses, Permits, Fees and Fines." Departmental receipts represent 16.6 percent of General Fund revenues in the 2021-22 Budget.

In 2020-21, these revenues fell as a result of the pandemic and recession, but were offset by \$125 million in CARES Act funding. Among the areas where the largest shortfalls have been experienced are Ambulance Fees, proprietary department reimbursements, MTA reimbursements for police services, Fire and Police Permits (accounted for under "Other Departmental Receipts"), and Special Fund Related Cost reimbursements from planning, cannabis regulation, housing code enforcement, transportation sales tax, and solid waste funds. Receipts are anticipated to stabilize in 2021-22.

The table below shows receipts from departmental receipts.

Table 29
DEPARTMENTAL RECEIPTS⁽¹⁾
(\$ in thousands)

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>Estimated 2020-21</u>	<u>Budget 2021-22</u>
Ambulance Fees	\$ 84,671	\$ 78,472	\$ 94,074	\$ 80,385	\$78,700
Services to Dept. of Airports	82,532	78,879	86,242	93,948	90,538
Services to Harbor Dept.	34,456	42,428	39,065	44,808	45,504
Services to DWP	29,325	29,847	32,473	14,490 ⁽²⁾	40,490
Services to Sewer Program	95,526	107,585	109,264	93,941	128,996
Solid Waste Fee	58,309	61,661	75,427	83,042	18,811 ⁽³⁾
Gas Tax Reimbursements	1,284	23,108	21,769	41,963	40,153
Services to Stormwater Fund	9,507	-	4,732	3,037	-
Special Funds Related Costs	202,155	229,122	261,845	253,725	333,973
MTA Reimbursement	53,555	65,705	105,507	86,256	96,244
One Time Reimbursements	8,776	23,040	17,577	140,119 ⁽⁴⁾	2,420
Library Reimbursements	67,988	69,653	71,915	74,233	83,080
Recreation and Parks Reimbursements	43,951	49,177	49,287	52,813	64,725
State Mandated	2,907	3,320	7,172	3,806	3,000
Miscellaneous Taxes and Fees	7,300	8,540	-	-	-
Other Departmental Receipts	<u>233,249</u>	<u>259,232</u>	<u>129,308</u>	<u>190,950</u>	<u>218,156</u>
Total General Fund	\$1,015,490	\$1,129,767	\$1,198,296	\$1,257,516	\$1,244,790
Change from Prior Year	11.2%	11.3%	6.1%	4.9%	(1.0)%

⁽¹⁾ Cash basis.

⁽²⁾ Reflects a credit due to prior-year overpayments.

⁽³⁾ Because this fee has not been set to generate full cost recovery, funds are available to only partially reimburse Bureau of Sanitation overhead costs.

⁽⁴⁾ Includes \$125 million from the CARES Act allocated towards reimbursement for related expenses in 2020-21.

Source: City of Los Angeles, Office of the City Administrative Officer.

Business Tax

Business tax receipts represent 9.6 percent of General Fund revenues in the 2021-22 Budget. The business tax is imposed on persons engaged in a business within the City. The tax rate formula, which is established by ordinance, varies based upon the type of business.

In March 2017, voters approved City Measure M, which approved the cultivation and sale of recreation cannabis within the City, enables the formation of cannabis policy and regulation, decreases the business tax paid by medical cannabis businesses and implements a new business tax on recreational cannabis businesses. The 2021-22 Budget includes cannabis business tax revenue projected at \$165.7 million, representing 23.1 percent of business tax revenue. Cannabis business tax revenues are estimated to have grown 71.2 percent in 2020-21 and are projected to grow 23.7 percent in 2021-22.

Excluding receipts from a temporary tax amnesty program, non-cannabis business tax revenues are estimated to have fallen 6.6 percent in 2020-21 and are projected to experience a modest 2.1 percent increase for 2021-22.

The table below shows receipts from business tax.

Table 30
BUSINESS TAX RECEIPTS
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2017-18	\$554,521	5.0%
2018-19	603,123	8.8
2019-20	655,849	8.7
2020-21 Estimated	692,386	5.6
2021-22 Budget	716,600	3.5

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Sales Tax

Budgeted sales tax receipts represent 8.1 percent of General Fund revenues in the 2021-22 Budget. Sales and use taxes are collected on the total retail price of tangible personal property sold, unless specifically exempted. Included in the current County-wide tax rate is a sales tax collected by the State on behalf of cities (or, for unincorporated areas, on behalf of counties). The current local tax rate is 1 percent. Allocation of the 1 percent local component (often referred to as the “Bradley-Burns Sales Tax”) is on the basis of “situs,” or the point of sale. Additional sales taxes can be collected based on local voter approval. Included in the current County-wide rate are sales taxes collected for the Los Angeles County Metropolitan Transportation Authority for transportation purposes and taxes collected by the County for homeless services. A portion of those taxes is remitted to the City for deposit in special revenue funds.

The components of the current sales taxes collected in the City are presented below.

Table 31
LOS ANGELES CITY
SALES TAX COMPONENTS
As of July 1, 2021

<u>State Rate</u>		
General Fund Portion	3.9375%	
Local Revenue Fund	1.5625%	To support local health program costs (1991 realignment) and public safety services (2011 realignment).
Local Public Safety	<u>0.50%</u>	For the Local Public Safety Fund, approved by the State voters in 1993 as Proposition 172 to support local criminal justice activities. The City has budgeted \$44 million in Fiscal Year 2020-21 receipts, which are deposited in a special fund and appropriated to the Police and Fire Departments.
Total State Rate	6.00%	
<u>Uniform Local Tax Rate</u> (Statewide)		
County Transportation	0.25%	The County allocates a small portion of this to the City.
Local Point of Sale	<u>1.00%</u>	This is the “Bradley-Burns” sales tax, allocated to cities and counties (for unincorporated areas) by point of sale.
Total Uniform Local Rate	<u>1.25%</u>	
Total Statewide Rate	7.25%	
<u>Optional Local Rates</u> ⁽¹⁾		
Proposition A (LACMTA)	0.50%	} Voter-approved measures to improve public transit and reduce traffic congestion. The City receives a portion of these funds, with the percentage varying by measure.
Proposition C (LACMTA)	0.50%	
Measure R (LACMTA)	0.50%	
County Measure M (LACMTA)	0.50%	
County Measure H (LA County)	0.25%	Voter-approved measure for homeless services.
Total Optional Local Rate	<u>2.25%</u>	
Total Sales Tax Rate	9.50%	

⁽¹⁾ State law permits optional voter approval of local tax rates, up to a combined maximum, which is 10.25% in the County . These rates are levied in 0.25% and 0.5% increments.

Source: City of Los Angeles, Office of the City Administrative Officer.

The following table shows the actual and budgeted General Fund receipts from sales tax. Delayed Fiscal Year 2017-18 remittances resulting from the State’s implementation of a new sales tax automation system contributed to the low growth in 2017-18 and high growth in 2018-19.

The pandemic had a significant impact on taxable sales and thus the City’s receipt of sales tax revenues. Various State actions during the pandemic, such as extension of filing dates and adjustment to its allocation methodologies, further obscured the impact of the pandemic on recent and forecasted receipts. The sales tax growth rate of 15.6 percent projected in the 2021-22 Budget follows two years of consecutive declines; budgeted receipts are 4.3 percent above the pre-pandemic revenue realized in 2018-19. Sales tax revenue estimates assume the return of indoor business operations, a decline in unemployment, and low inflation. There is a risk that actual revenues will be less than estimated if these assumptions prove optimistic.

Table 32
GENERAL FUND SALES TAX RECEIPTS
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2017-18	\$529,757	1.8%
2018-19	581,443	9.8
2019-20	556,237	(4.3)
2020-21 Estimated	524,615	(5.7)
2021-22 Budget	606,610	15.6

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Documentary Transfer Tax

Documentary transfer tax receipts represent 3.0 percent of General Fund revenues in the 2021-22 Budget. The documentary transfer tax is imposed on each transaction in which real property is sold that is evidenced by a recorded document. The City's tax rate is 0.45 percent of the value of real property transferred. This tax is in addition to the 0.11 percent tax (\$1.10 per \$1,000) levied by the County. This tax is tied to real estate market activity and, although not evident in the years represented in the table below, can be more volatile than other City revenues, as it reflects both sales volume and sales price. The greatest impact is seen when the two components move together. For example, this tax revenue declined 29 percent in 2007-08, and another 31 percent in 2008-09. Further contributing to the volatility of this revenue is the irregular pattern of business property sales; monthly remittances can fluctuate from zero to amounts in excess of \$10 million.

The 2021-22 Budget estimate assumes that pricing and sales volume will remain relatively unchanged.

The table below presents receipts from this revenue source.

Table 33
DOCUMENTARY TRANSFER TAX RECEIPTS
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2017-18	\$207,815	(1.1)%
2018-19	206,211	(0.7)
2019-20	205,473	(0.4)
2020-21 Estimated	235,922	14.8
2021-22 Budget	227,005	(3.8)

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Power Revenue Transfers to General Fund

Transfers from the Power Revenue Fund represent 3.0 percent of budgeted General Fund revenues in the 2021-22 Budget. The City's Charter Section 344(b) provides that the Council may, by ordinance, direct that surplus money in the Power Revenue Fund be transferred to the Reserve Fund with the consent of the DWP Commissioners. These funds are routinely appropriated from

the Reserve Fund to the City’s General Fund budget. The DWP Commissioners may withhold their consent if such transfer would have a material negative impact on DWP’s financial condition in the year in which the transfer would be made. The transfer rate has been 8 percent of surplus revenues beginning with 2009-10.

Variances can occur between the amount budgeted for transfer and the amount received, reflecting the variance between actual financial results of the Power System for the prior year from the results projected by the DWP at the time the budget is adopted. The estimated transfer amount is provided by the DWP at the time of budget adoption and is based on the Power System’s financial plan for the fiscal year currently in progress. At the close of the fiscal year, but before December 31 in the following fiscal year, the Board of DWP Commissioners affirms or amends the transfer amount according to the audited financial statements. The transfer occurs in the latter half of the following year.

The City has been the subject of litigation that challenged this long-standing practice of transferring a portion of surplus power revenues to the City’s General Fund as a violation of Proposition 26, which imposed new restrictions on taxation. The principal case on this matter was *Eck v. City of Los Angeles* (“*Eck*”). This matter was settled under a court-approved settlement on February 26, 2018, with all appeals challenging the settlement having been exhausted. The settlement limits the annual amount of revenue transferred from the DWP to the City to 8 percent of the retail operating revenues of the 2008 Electric Rate Ordinance. Other remaining litigation associated with the transfer of such surplus power revenues has been essentially resolved in the City’s favor. See “LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 26.”

The following table shows transfers from the Power Revenue Fund. Beginning with Fiscal Year 2018-19, amounts reflect the settlement under the *Eck* case. At the time of budget preparation, no estimate was available on the impact of the pandemic and recession on the DWP’s revenue.

Table 34
TRANSFERS FROM POWER REVENUE FUND
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2017-18	\$241,848	(8.5)%
2018-19	232,557	(3.8)
2019-20	229,913	(1.1)
2020-21 Estimated ⁽²⁾	218,355	(5.0)
2021-22 Budget	225,819	3.4

⁽¹⁾ Cash basis.

⁽²⁾ The 2020-21 transfer amount was reduced to reflect lower audited 2019-20 power system revenue.

Source: City of Los Angeles, Office of the City Administrative Officer.

Transient Occupancy Tax

Transient occupancy tax receipts represent 2.4 percent of General Fund revenues in the 2021-22 Budget. The transient occupancy tax (“TOT”) is levied at the rate of 14 percent of the amount charged for hotel and motel rooms or other dwellings occupied for 30 days or less. The tax is collected by hotel operators, individuals, and short-term rental websites, which are subsequently remitted to the City monthly.

This revenue is very sensitive to changing conditions that affect travel and has been significantly impacted by the pandemic. Transient occupancy tax revenue for 2020-21 is estimated to be only 35 percent of its peak in 2018-19. While significant growth is budgeted as travel recovers, it would still represent only 57 percent of its peak.

The 14 percent tax rate is composed of two parts: a 13 percent General Fund tax and a 1 percent special tax to fund the Los Angeles Convention Visitors' Bureau (also known as L.A., Inc.). The table below presents General Fund receipts from the 13 percent portion of the tax rate.

Table 35
GENERAL FUND TRANSIENT OCCUPANCY TAX RECEIPTS
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2017-18	\$299,108	12.6%
2018-19	318,888	6.6
2019-20	253,539	(20.5)
2020-21 Estimated	110,427	(56.4)
2021-22 Budget	183,300	66.0

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Parking Fines and other Parking-Related Revenues

Parking fine receipts represent 1.6 percent of General Fund revenues in the 2021-22 Budget. The schedule of fines is established by the Council. For budgeting purposes, parking fine revenue forecasts are based on the number of parking enforcement officers employed by the City's Department of Transportation and estimates of average revenues per ticket based on historical trends, collection rates and average worker productivity. While parking fine revenue has declined each of the prior seven years, revenues were trending towards growth in 2019-20 prior to the onset of the pandemic. The pandemic's impact to parking demand reduced both ticket issuance and the collection rate for fines, with 2020-21 revenue further reduced under relaxed parking enforcement and fine relief policies. The 2021-22 Budget reflects increased issuance and collection rates due to increased parking demand and the end of temporary relief measures.

The table below shows receipts from all parking fines.

Table 36
PARKING FINES RECEIPTS
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2017-18	\$138,766	(1.4)%
2018-19	129,900	(6.4)
2019-20	114,865	(11.6)
2020-21 Estimated	93,347	(18.7)
2021-22 Budget	123,621	32.4

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

The General Fund receives two other revenues related to parking activity, from a parking occupancy tax and from transfers from its Special Parking Revenue Fund. The parking occupancy

tax is levied at 10 percent of parking fees. Revenues from this source fell 53 percent from 2018-19 to 2020-21, from \$120.9 million to \$58.9 million. The 2021-22 Budget estimates \$99.3 million in revenues. The Special Parking Revenue Fund collects receipts from City-owned off-street parking facilities. Surplus revenues after the cost of operating and maintaining those facilities can be transferred to the General Fund. While the annual base transfer is \$23.5 million, no surplus funds were available for transfer in 2020-21, and \$8.5 million is budgeted in 2021-22.

Impact of State of California Budget

A number of the City's revenues are collected and subvented by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. Approximately 40 percent of the City's General Fund revenues are collected by the State or otherwise allocated in accordance to State law. During prior State fiscal crises, the State has reallocated a portion of such revenues to assist in its own budget balancing. Proposition 1A, adopted in 2004, amended the State Constitution to impose limits on the State's ability to reallocate local revenue. See "LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A." The State budget provides certain funding for emergency response and for homelessness, from which the City expects to benefit.

The State's fiscal year begins on July 1 and ends on June 30. The State Constitution requires the Governor to submit a budget for each fiscal year to the Legislature by the preceding January 10 (the "Governor's Budget"). The Constitution requires the Legislature to pass a budget bill by June 15, although the Legislature has frequently failed to meet this deadline. Because more than half of the State's General Fund income is derived generally from the April 15 personal income tax, the Governor submits a "May Revision" to his proposed budget. The Legislature typically waits for the May Revision before making budget decisions. Once the budget bill has been approved by a majority vote of each house of the Legislature, it is sent to the Governor for signature. Increases in taxes require approval of a two-thirds majority of each house.

On June 28, 2021, the California State Legislature passed the 2021-22 State Budget, which estimates a budget surplus of \$47 billion, mainly due to higher than anticipated revenues and receipt of \$27 billion under ARPA. The State will also receive an additional \$550 million from the Coronavirus Capital Projects Fund, which the State plans to allocate for broadband infrastructure projects. The 2021-22 State Budget continues to build the State's reserves, pay down the State's long-term retirement liabilities, invest in education, confront homelessness and housing affordability, and fund capital projects. The following are State budget items with potential impacts to the City:

- \$8.1 billion for the Golden State Stimulus program, which provides \$600 stimulus payments for low- and moderate-income households and an additional \$1.5 billion, for a total funding amount of \$4.0 billion, for grants to small business experiencing hardships due to the pandemic.
- \$1.8 billion to support state and local emergency response to COVID-19.
- An additional \$100 million for a total funding amount of \$162.6 million to aid local governments with emergency response.
- \$1.1 billion over a three-year period for Caltrans to partner with local governments in a statewide beautification effort.
- \$2.75 billion over two years for the additional acquisition and rehabilitation of facilities through the Homekey Program. The Homekey Program provides grants to local

governments to acquire hotels, motels, vacant apartments, and other properties to establish permanent housing for individuals experiencing homelessness, at risk of homelessness, or those impacted by COVID-19.

- \$2.0 billion over two years for the Homeless Housing, Assistance, and Prevention program to help counties, Continuums of Care, and large cities address homelessness and help move people off the streets.
- An additional \$240 million for other programs to address homelessness.
- \$1 billion to complete critical transportation projects in anticipation of the 2028 Olympics Games in Los Angeles.
- \$600 million provide planning and implementation grants to regional entities for infill developments that reduce vehicle miles traveled and help reach the State's climate goals.
- \$100 million to establish a cannabis related local jurisdiction assistance grant program to aid local governments in permitting and regulating cannabis businesses.

The 2021-22 State Budget was adopted subsequent to adoption of the City's 2021-22 Budget; none of the State funding sources are included in the City's 2021-22 Budget.

Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.govbud.dof.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution - Proposition 13

Article XIII A of the California Constitution, known as Proposition 13, was approved by the voters in 1978. Article XIII A limits the amount of *ad valorem* taxes on real property to 1 percent of "full cash value" as determined by the County Assessor, except that additional *ad valorem* taxes may be levied to pay debt service on local government indebtedness approved by the voters.

Article XIII A defines "full cash value" to mean the County assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed or when a change in ownership has occurred after the 1975 assessment period. The full cash value may be adjusted annually to reflect inflation at a rate, as determined by the consumer price index, not to exceed 2 percent per year. "Full cash value" base may be reduced in the event of declining property values caused by damage, destruction or other factors. Under the California Revenue and Taxation Code, county assessors that have reduced assessed valuation may be able to recapture such value (up to the pre-decline value of the property) at a rate higher than 2 percent per year in some circumstances.

See "MAJOR GENERAL FUND REVENUE SOURCES —Property Tax."

Article XIII B of the California Constitution

Article XIII B of the California Constitution, approved by the voters in 1979 and commonly referred to as the “Gann Limit”, limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is the 1986-87 fiscal year as a result of Proposition 111.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the “proceeds of taxes” levied by the State or other entity of local government, exclusive of certain limited funds. In addition to the proceeds of General Fund taxes, “proceeds of taxes” include all tax revenues and proceeds from (1) regulatory licenses, user charges and user fees to the extent such proceeds exceed the cost of providing the service or regulation; (2) the investment of tax revenues; and (3) certain funds received from the State. If any entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years. The Article XIII B limitation generally does not apply to debt service on voter-approved indebtedness and appropriations required to comply with mandates of courts, or the federal government or certain capital expenditures.

The table below sets forth the City’s appropriations limit and appropriations subject to limitation.

Table 37
APPROPRIATIONS LIMITS AND APPROPRIATIONS SUBJECT TO LIMITATION

<u>Fiscal Year</u>	<u>City Appropriations Limit</u>	<u>Appropriations Subject to Limitations</u>	<u>Amount Appropriations Are Under Limit</u>
2017-18	\$5,415,819,599	\$4,095,495,596	\$1,320,324,003
2018-19	5,669,148,096	4,353,097,592	1,316,050,504
2019-20	6,234,016,905	4,585,351,952	1,648,664,953
2020-21	6,682,049,927	4,589,819,240	2,092,230,687
2021-22 Budget ⁽¹⁾	7,264,486,670	4,677,432,449	2,587,054,221

⁽¹⁾ The Appropriation Limit will be reconsidered by the Council later in the fiscal year to incorporate the State’s price and population factors for 2021-22.

Source: City of Los Angeles, Office of the City Administrative Officer.

Articles XIII C and XIII D of the California Constitution - Proposition 218

Articles XIII C and XIII D of the California Constitution, approved by the California voters in 1979, restrict the ability of the City to levy and collect existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes or increases in existing local taxes be approved by the electorate before they become effective. Taxes for general governmental purposes of the City require majority voter approval and taxes for specific purposes, even if deposited in the City’s General Fund, require two-thirds voter approval. These requirements reduce the flexibility of the Council to raise revenues for the General Fund and may prevent the City from imposing, extending or increasing such taxes in the future to meet any increased expenditure requirements.

Article XIID contains provisions generally making it more difficult for local agencies to levy and maintain “assessments” (any levy or charge upon real property for a special benefit conferred upon the real property) for municipal services and programs and “property-related fees and charges” (any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service). Assessments shall not be imposed if there is a majority protest by property owners submitting ballots on the issue. Property-related fees or charges for services other than sewer, water and refuse collection services may not be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The City is currently the subject of a lawsuit regarding charges it imposed on residential customers for the disposal of sewage through the sewage system in violation of Proposition 218 and other applicable City statutes. Entitled *Hoffman et al v. City of Los Angeles*, the court recently determined that the City failed to meet the procedural requirements under Proposition 218 before imposing the charge on residential customers. A second phase of the trial over damages is pending. In the event of an adverse ruling, damages could be approximately \$180 million. Any potential damages in this case are expected to be ultimately funded through the City's wastewater enterprise fund. The City does not expect a General Fund impact.

In addition, Article XIIC addresses the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. The voters of the City could, in the future, approve an initiative or initiatives that reduce or repeal local taxes, assessments, fees or charges. Such an action could have a material impact on the City's General Fund.

Proposition 26

Proposition 26 was approved by the electorate in 2010 and amended California Constitution Articles XIII A and XIII C. Proposition 26 imposes a majority voter approval requirement on local governments such as the City with respect to certain fees and charges for general purposes, and a two-thirds voter approval requirement with respect to certain fees and charges for special purposes, unless the fees and charges are expressly excluded. Proposition 26 was designed to supplement tax limitations imposed by the voters in California Constitution Articles XIII A, XIII C and XIID pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payer that is not provided to those not charged, and which does not exceed the reasonable cost to the local government of providing the service or product.

The City has been subject to a series of lawsuits pertaining to the transfer of surplus power revenues, which is a material source of City General Fund revenues. The principal lawsuit on this matter was *Eck*. This matter was settled under a court-approved settlement on February 26, 2018. The settlement limits the annual amount of revenue transferred from the DWP to the City to 8 percent of the retail operating revenues of the 2008 Electric Rate Ordinance. The other lawsuits associated with the transfer of such surplus power revenues have been essentially resolved in the City's favor. See “MAJOR GENERAL FUND REVENUE SOURCES—Power Transfer to General Fund.”

Proposition 1A

Proposition 1A, approved by the voters in 2004, amended the State Constitution to impose limits on the State's ability to reallocate local revenue. The measure provides 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 also limits, but does not totally restrict, the State's ability to shift any share of property tax revenues allocated to local governments in any fiscal year to schools or community colleges. Up to 8 percent of local government property tax revenues may be shifted if specified conditions are met, and any amount shifted must be repaid, with interest, within three years. The right of the State to redirect local revenues under Proposition 1A was exercised in Fiscal Year 2009-10.

Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that, if the State reduces the Vehicle License Fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues.

Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Future Initiatives

The voters of the City may approve initiatives that reduce or repeal local taxes, assessments, fees or charges. From time to time, other initiative measures could be adopted at the state or local level, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations, or which repeal or reduce existing taxes, assessments, fees or charges, which may affect the City's revenues or its ability to expend its revenues.

BONDED AND OTHER INDEBTEDNESS

Introduction

The City has issued or caused the issuance of a variety of bonded and other debt obligations as provided for under the State Constitution, judicial interpretation of the State Constitution, State statutes, and its own Charter powers. The following summarizes that indebtedness.

The CAO serves as the City's debt manager, structuring debt issuances and overseeing the ongoing management of all tax-secured, General Fund and certain special fund debt programs. These include general obligation bonds; lease obligations; tax and revenue anticipation notes; wastewater system and solid waste resources fee revenue obligations; judgment obligation bonds, if any; and special tax obligations, Mello-Roos bonds and certain special assessment obligations. Debt of the Housing Department and the City's three proprietary departments—Airports, Harbor, and Water and Power—are administered by staff of the respective department.

General Obligation Bonds

The City may issue general obligation bonds for the acquisition and improvement of real property, subject to two-thirds voter authorization of the bond proposition. An *ad valorem* tax on all taxable property to pay principal and interest on general obligation bonds is levied by the City and collected by the County on the secured and unsecured property tax bills within the City. See “MAJOR GENERAL FUND REVENUE SOURCES—Property Tax”. The following summarizes the various voter authorizations for general obligation bonds that were outstanding as of June 1, 2021.

Table 38
GENERAL OBLIGATION BONDS
As of October 1, 2021

Date of Election	Projects	Amount Authorized	Amount Issued	Amount Outstanding ⁽¹⁾	Amount Authorized but Unissued
11/3/98	Zoo Facilities (Proposition CC)	\$ 47,600,000	\$ 47,600,000	\$ 867,165	--
11/7/00	Fire, Paramedic, Helicopter and Animal Shelter Projects (Proposition F)	532,648,000	532,648,000	19,817,942	--
3/5/02	Emergency Operations, Fire, Dispatch and Police Facilities (Proposition Q)	600,000,000	600,000,000	43,816,695	--
11/2/04	Storm Water Projects (Proposition O)	500,000,000	439,500,000	161,913,198	\$ 60,500,000
11/8/16	Homelessness (Proposition HHH)	1,200,000,000	362,610,000	303,885,000	837,390,000
	Total	\$2,880,248,000	\$1,982,358,000	\$530,300,000	\$897,890,000

⁽¹⁾ Includes pro-rata allocation of refunding bonds. Principal payments are made September 1.

Source: City of Los Angeles, Office of the City Administrative Officer.

The following indicates the *ad valorem* property tax rate levied to service the City’s general obligation bonds, as well as the overlapping property tax rates levied in the City.

Table 39
2020-21 TYPICAL TAX RATE PER \$100 OF ASSESSED VALUATION
TRAs 00067, 00013, 00016⁽¹⁾

Countywide 1%	1.000000%
City of Los Angeles	.016538
Los Angeles Unified School District	.139929
Los Angeles Community College District	.040162
Metropolitan Water District	.003500
Total	1.200129%

⁽¹⁾ Tax Rate Areas 00067, 00013, and 00016 are the three largest within the City in terms of assessed valuation:

TRA 00067 2020-21 AV: \$238,147,109,971

TRA 00013 2020-21 AV: \$106,307,675,103

TRA 00016 2020-21 AV: \$103,685,780,556

Source: California Municipal Statistics, Inc.

Lease Obligations

The City may enter into long-term lease obligations without first obtaining voter approval, so long as these agreements meet the requirements of State law. The City has entered into various lease arrangements under which the City must make annual lease payments to occupy public buildings or use capital equipment necessary for City operations. Most of these lease agreements have been with a nonprofit corporation established by the City for this purpose, the Municipal Improvement Corporation of Los Angeles (“MICLA”). In most cases, securities have been issued

in the form of lease revenue bonds, on which debt service is paid from the annual lease payments primarily made by the City's General Fund. In some cases, as noted below, the lease obligation was privately placed directly with a bank or other private lender. Payment of lease payments is managed by the CAO and, unless otherwise noted, budgeted in the Capital Finance Administration Fund.

The following table summarizes the outstanding bonded and other long-term financing lease obligations payable from the City's General Fund as of October 1, 2021.

Table 40
GENERAL FUND BONDED AND OTHER FINANCING LEASE OBLIGATIONS
As of October 1, 2021

Series	Project	Amount Issued	Amount Outstanding	Final Maturity
Public Offerings				
MICLA Lease Revenue Bonds, Series 2010-C (Taxable) (dated November 23, 2010)	Real Property	\$ 18,170,000	\$ 15,570,000	11/1/40
MICLA Taxable Lease Revenue Refunding Bonds, Series 2015-A (dated November 19, 2015)	Real Property (Convention Center)	292,415,000	65,520,000	11/1/22
MICLA Lease Revenue Refunding Bonds, Series 2016-A (dated June 1, 2016)	Capital Equipment and Fixtures	125,235,000	80,880,000	11/1/26
MICLA Lease Revenue Refunding Bonds, Series 2016-B (dated June 1, 2016)	Real Property	685,270,000	579,105,000	11/1/39
MICLA Lease Revenue Bonds, Series 2018-A (dated February 6, 2018)	Capital Equipment and Fixtures	54,430,000	41,320,000	11/1/27
MICLA Lease Revenue Bonds, Series 2018-B (dated February 25, 2018)	Real Property	31,270,000	28,650,000	11/1/37
MICLA Lease Revenue Refunding Bonds, Series 2018-C (dated February 26, 2018)	Real Property	25,630,000	18,865,000	11/1/27
MICLA Lease Revenue Bonds, Series 2020-A (dated August 20, 2020)	Capital Equipment and Fixtures	84,725,000	84,725,000	11/1/30
MICLA Lease Revenue Refunding Bonds, Series 2020-B (dated August 20, 2020)	Real Property	80,850,000	74,625,000	11/1/40
MICLA Lease Revenue Refunding Bonds, Series 2020-C Taxable (dated August 20, 2020)	Real Property	102,265,000	102,265,000	11/1/41
MICLA Lease Revenue Refunding Bonds, Series 2021-A (Taxable) (dated March 4, 2021)	Capital Equipment and Real Property	177,470,000	177,470,000	11/1/38
MICLA Lease Revenue Refunding Bonds, Series 2021-B (dated March 4, 2021)	Capital Equipment and Real Property	<u>60,481,000</u>	<u>60,481,000</u>	11/1/38
Subtotal Public Offerings		\$1,738,211,000	\$1,329,476,000	
Private Placements				
MICLA 2016 Streetlights (dated April 5, 2016)	Capital Equipment and Streetlights	26,368,864	10,369,234	4/1/24
MICLA 2017 Streetlights Financing (dated April 18, 2017)	Capital Equipment and Streetlights	39,297,800	24,792,673	6/1/27
2017 Police Vehicles Lease Financing (dated November 15, 2017)	Capital Equipment	21,110,000	7,053,080	11/15/22
2017 Police Radios Lease Financing (dated December 22, 2017)	Vehicles and Handheld Radios	64,500,000	31,384,203	2/1/25
MICLA 2019 Streetlights Financing (dated September 30, 2019)	Capital Equipment and Fixtures	17,845,461	16,017,515	6/1/29
MICLA 2020 Streetlights Financing (dated November 1, 2020)	Capital Equipment and Fixtures	<u>9,088,272</u>	<u>9,088,272</u>	6/1/31
Subtotal Private Placements		<u>\$178,210,397</u>	<u>\$98,704,977</u>	
Total Lease Obligations		<u>\$1,916,421,397</u>	<u>\$1,428,180,977</u>	

Source: City of Los Angeles, Office of the City Administrative Officer.

Commercial Paper Program

The City has created two commercial paper ("CP") programs secured by lease agreements payable from the General Fund.

In 2004, the City and MICLA established a commercial paper program authorizing MICLA to issue lease revenue CP notes to finance and refinance capital equipment, the acquisition and improvement of real property, and other financing needs of the City (the “General MICLA CP”). The General MICLA CP program increased from time to time and is currently authorized for up to \$425 million. The City expects to issue lease revenue bonds through MICLA from time to time to refund the General MICLA CP. As of October 1, 2021, \$309.9 million in General MICLA CP was outstanding under this program.

The City has created a second CP program to issue up to \$100 million in lease revenue CP notes to finance and refinance capital improvements to the Los Angeles Convention Center facility (the “LACC CP”), which also represents a lease obligation of the General Fund. As of October 1, 2021, \$20.7 million in LACC CP was outstanding under this program.

In connection with each of these CP programs, the City arranged for the issuance of one or more irrevocable direct-pay letters of credit and entered into a reimbursement agreement with each of the credit banks. If the City is unable to secure replacement letters of credit, the related letters of credit prior to expiration would be drawn upon to pay interest and principal due on the CP. Under the reimbursement agreement, the City is generally required to reimburse the credit banks over a period of time, but at no more than the stipulated fair rental value of the leased properties. The reimbursement agreements contain a number of covenants and agreements on the part of the City, and specify events of default and remedies.

The table below summarizes the direct pay letters of credit that currently support the payment of principal of and interest on the General MICLA CP and the LACC CP programs, respectively.

Table 41
LEASE REVENUE COMMERCIAL PAPER NOTES LETTERS OF CREDIT

<u>Series</u>	<u>LOC Provider</u>	<u>Amount of CP Supported</u>	<u>LOC Expiration</u>
A-1 and B-1	BMO Harris Bank, N.A.	\$150,000,000	June 30, 2022
A-2 and B-2	Bank of America, N.A.	100,000,000	June 30, 2022
A-3 and B-3	U.S. Bank National Association	175,000,000	June 30, 2022
Convention Center	State Street Bank and Trust Company	100,000,000	June 30, 2022

Source: City of Los Angeles, Office of the City Administrative Officer.

Revenue Bonds

The Charter and State law provide for the issuance of revenue bonds, which are secured by and payable from the revenues generated by various enterprise and special fund operations. These revenue bonds do not represent obligations of the General Fund of the City, nor are they secured by taxes. Revenue bonds administered by the CAO have been issued in the past that are secured by wastewater, refuse collection and parking revenues. In addition, three departments that are under the control of Boards appointed by the Mayor and confirmed by the Council, namely the departments of Water and Power, Harbor and Airports, have also issued revenue bonds.

Conduit Debt Obligations

The City has issued bonds or entered into installment purchase contracts secured by and payable from loans and installment sale contracts to provide conduit financing for single and multi-family housing, industrial development and unrelated third-party 501(c)(3) nonprofit corporations.

These conduit bonds and certificates of participation are not managed by the CAO's debt management group and are not obligations of the General Fund or other City revenues.

Cash-flow Borrowings

The City annually issues tax and revenue anticipation notes ("TRANs") to alleviate short-term cash flow needs that occur early in the fiscal year when taxes and revenues have not yet been received. A large portion of these cash flow needs arise from the City's long-standing practice of paying its contribution to its pension systems early in the fiscal year in order to receive a discount. The following table summarizes the City's most recent TRANs issuance.

Table 42 TAX AND REVENUE ANTICIPATION NOTES				
<u>Fiscal Year</u>	<u>LACERS</u>	<u>Fire and Police Pensions</u>	<u>Cashflow</u>	<u>Total Par Amount</u>
2017-18	\$439,678,882	\$619,240,476	\$390,135,642	\$1,449,055,000
2018-19	477,615,000	672,655,000	391,160,000	1,541,430,000
2019-20	539,935,000	680,670,000	434,425,000	1,655,030,000
2020-21	515,155,000	714,395,000	531,755,000	1,761,305,000
2021-22	579,765,000	695,960,000	578,365,000	1,854,090,000

Source: City of Los Angeles, Office of the City Administrative Officer.

Summary of Long-Term Borrowings

The table below presents a statement of the City's debt, while the subsequent two tables summarize the debt service to maturity of certain of these obligations. Direct Debt is usually defined as the total amount outstanding of "tax-supported" obligations, including general obligation bonds, lease revenue bonds, certificates of participation secured by lease payments, and other obligations paid from property tax or other general revenues. Net Direct Debt excludes any general obligation bonds and lease obligations that are self-supporting from non-General Fund sources; no such deductions are included below. Overall Net Debt is usually defined to be the combination of City Net Direct Debt plus the net tax-supported debt of overlapping counties, school districts and special districts, including assessment and Mello-Roos special tax debt.

Table 43
NET DIRECT DEBT
As of October 1, 2021

	<u>Outstanding</u>
General Obligation Bonds	\$530,300,000
Lease Obligations ^{(1) (2)}	\$1,428,180,977
GROSS DIRECT DEBT	\$1,958,480,977
Revenue Bonds ⁽²⁾	
Power Revenue (DWP)	\$9,905,715,000
Water Revenue (DWP) ⁽³⁾	5,267,440,000
Department of Airports	8,224,485,000
Harbor Department ⁽⁴⁾	618,480,000
Wastewater System ⁽³⁾	
Senior Revenue Bonds	971,695,000
Subordinate Revenue Bonds	1,521,075,000
Solid Waste Resources Fee	<u>164,495,000</u>
Subtotal	\$26,673,385,000
TOTAL CITY DEBT	\$28,631,865,977
Less:	
Revenue Bonds	<u>(26,673,385,000)</u>
NET DIRECT DEBT	\$1,958,480,977
Plus:	
Overlapping Debt ⁽⁵⁾	<u>13,564,865,000</u>
NET OVERALL DEBT	<u>\$15,523,345,977</u>

⁽¹⁾ Includes only bonded and certificated lease obligations and long-term private placements.

⁽²⁾ Does not include any commercial paper or revolving credit agreements.

⁽³⁾ Does not include outstanding California State Revolving Fund loans.

⁽⁴⁾ Does not include outstanding California Department of Boating and Waterways loans.

⁽⁵⁾ Overlapping debt information from California Municipal Statistics, Inc. as of October 1, 2021. See Table 51.

Source: City of Los Angeles, Office of the City Administrative Officer.

Table 44
DEBT SERVICE TO MATURITY ON DEBT PAYABLE FROM PROPERTY TAXES⁽¹⁾
As of October 1, 2021

Fiscal Year	Principal	General Obligation Bonds	
		Interest	Total
2022 ⁽²⁾	\$ 0	\$10,050,403	\$10,050,403
2023	79,635,000	18,520,636	98,155,636
2024	61,525,000	15,776,651	77,301,651
2025	44,360,000	13,756,343	58,116,343
2026	37,355,000	12,199,068	49,554,068
2027	35,945,000	10,816,189	46,761,189
2028	34,485,000	9,492,207	43,977,207
2029	35,940,000	8,180,847	44,120,847
2030	31,225,000	6,916,369	38,141,369
2031	23,675,000	5,896,655	29,571,655
2032	23,595,000	5,044,121	28,639,121
2033	18,125,000	4,282,408	22,407,408
2034	18,125,000	3,609,407	21,734,407
2035	18,125,000	2,930,105	21,055,105
2036	18,125,000	2,248,646	20,373,646
2037	18,125,000	1,565,029	19,690,029
2038	18,125,000	879,255	19,004,255
2039	13,810,000	267,914	14,077,914
2040	0	0	0
Total	<u>\$530,300,000</u>	<u>\$132,432,249</u>	<u>\$662,732,249</u>

⁽¹⁾ Totals may not add due to independent rounding.

⁽²⁾ Excludes payments made from July 1 to October 1.

Source: City of Los Angeles, Office of the City Administrative Officer.

Table 45
DEBT SERVICE TO MATURITY ON BONDED AND CERTIFICATED LEASE OBLIGATIONS⁽¹⁾
As of October 1, 2021

Fiscal Year	Principal	Interest	Total
2022 ⁽²⁾	\$153,129,974	\$52,989,331	\$206,119,306
2023	129,989,590	47,899,171	177,888,760
2024	113,589,595	44,097,420	157,687,015
2025	108,655,117	40,470,224	149,125,341
2026	101,804,302	36,823,336	138,627,638
2027	105,384,518	32,885,131	138,269,648
2028	81,567,013	28,973,297	110,540,310
2029	74,275,289	25,643,243	99,918,532
2030	63,539,184	22,659,423	86,198,607
2031	66,412,395	19,776,657	86,189,052
2032	57,168,000	17,031,120	74,199,120
2033	57,306,000	14,463,899	71,769,899
2034	58,785,000	12,014,127	70,799,127
2035	57,864,000	9,696,873	67,560,873
2036	60,235,000	7,310,371	67,545,371
2037	62,832,000	4,702,430	67,534,430
2038	34,913,000	2,564,706	37,477,706
2039	22,321,000	1,344,948	23,665,948
2040	9,780,000	638,180	10,418,180
2041	7,025,000	225,938	7,250,938
2042	1,605,000	22,976	1,627,976
2043	0	0	0
Total	<u>\$1,428,180,977</u>	<u>\$422,232,802</u>	<u>\$1,850,413,778</u>

⁽¹⁾ Totals may not add due to independent rounding.

⁽²⁾ Excludes payments made from July 1 to October 1.

Source: City of Los Angeles, Office of the City Administrative Officer.

Debt Management Policies

The City adopted a written debt policy in August 1998, which was incorporated into the City's Administrative Code in May 2000 and has also adopted policies for Mello-Roos financing, variable rate debt and swaps. Revisions of these policies were approved by the Council in September 2020. See "BUDGET AND FINANCIAL OPERATIONS—Financial Management Policies". The City's Debt Management Policy establishes guidelines for the structure and management of the City's debt obligations. These guidelines include target and ceiling levels for certain debt ratios to be used for planning purposes. The two most significant ratios are shown below.

Table 46
DEBT MANAGEMENT POLICY RATIOS

<u>Ratio</u>	<u>Ceiling</u>	<u>2019-20</u>	<u>Estimated 2020-21</u>	<u>Budget 2021-22</u>
Total Direct Debt Service as Percent of General Revenues ⁽¹⁾	15.0%	5.90%	4.51%	4.86%
Non-Voted Direct Debt Service as Percent of General Revenues ⁽¹⁾	6.0% ⁽²⁾	3.92%	2.78%	3.35%

⁽¹⁾ For purposes of the Debt Policy, General Revenues includes the General Fund, the General Obligation Bond Debt Service Fund, and any tax revenues deposited into special funds that pay debt service on lease revenue bonds.

⁽²⁾ The 6% ceiling may be exceeded only if there is a guaranteed new revenue stream for the debt payments and the additional debt will not cause the ratio to exceed 7.5%, or there is not a guaranteed revenue stream but the 6% ceiling shall only be exceeded for one year.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below provides a comparison of City debt ratios for its net direct debt outstanding for the past five fiscal years.

Table 47
FINANCIAL RATIOS

<u>As of June 30</u>	<u>Net Direct Debt</u>	<u>Net Debt Per Capita</u>	<u>Net Debt as Percent of Net Assessed Valuation</u>
2017	\$2,279,944,100	\$572	0.43%
2018	2,277,748,296	570	0.40
2019	2,241,343,140	562	0.37
2020	2,160,374,979	543	0.33
2021 Budget	2,064,424,459	526	0.30

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below shows debt service paid from the General Fund as a percent of General Fund revenues.

Table 48
GENERAL FUND DEBT SERVICE AS A PERCENTAGE OF GENERAL FUND⁽¹⁾
(\$ in thousands)

<u>Fiscal Year</u>	<u>Debt Service Payments⁽²⁾</u>	<u>General Fund Revenues⁽³⁾</u>	<u>Debt Service as Percentage of General Fund Revenue</u>
2017-18	\$218,487	\$5,841,076	3.74%
2018-19	226,334	6,236,881	3.63
2019-20	228,118	6,569,750	3.47
2020-21 Estimated	221,756	6,957,766	3.19
2021-22 Budget	224,032	7,503,223	2.99

⁽¹⁾ Cash basis.

⁽²⁾ Debt service payments on lease obligations and judgment obligation bonds.

⁽³⁾ Including operating transfers in.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below provides a schedule of debt retirement for net direct debt.

Table 49
RETIREMENT OF NET DIRECT DEBT⁽¹⁾
As of October 1, 2021

	<u>General Obligation Bonds</u>		<u>Bonded and Certificated Leases</u>		<u>Total</u>	
	<u>Maturing Within</u>	<u>Maturing Principal</u>	<u>Maturing Principal</u>	<u>Cumulative % of Debt Retired</u>	<u>Maturing Principal</u>	<u>Cumulative % of Debt Retired</u>
>0 to 5 years		\$258,820,000	\$607,168,578	48.8%	\$865,988,578	44.2%
>5 to 10 years		148,920,000	391,178,399	76.9%	540,098,399	71.8%
>10 to 15 years		90,625,000	291,358,000	94.0%	381,983,000	91.3%
>15 to 20 years		31,935,000	136,871,000	100.0%	168,806,000	99.9%
>20 to 25 years		0	1,605,000	100.0%	1,605,000	100.0%
Total		\$530,300,000	\$1,428,180,977		\$1,958,480,977	

⁽¹⁾ Totals may not add due to independent rounding.

Source: City of Los Angeles, Office of the City Administrative Officer.

Variable Rate Obligations and Swap Agreements

The only variable-rate debt paid from General Fund revenues are the CP programs described above. There are no swap agreements payable from the General Fund.

Projected Additional Financings

The City currently anticipates the completion of some, or all of the financings summarized in the table below secured in whole or in part by the City's General Fund or other revenues and taxes. Certificates of participation or lease revenue bonds in addition to those listed below may be approved for refundings or to finance real and personal property acquisitions and improvements.

The City may also seek further general obligation bond voter authorization.

Table 50
PROPOSED SCHEDULE OF BOND ISSUANCES AND TRANSACTIONS
DEBT CALENDAR
(As of October 1, 2021)

	<u>Expected Sale Date</u>	<u>Amount</u>
Los Angeles Wastewater System State Revolving Fund Loan	TBD	\$266 million
Los Angeles Wastewater System New Money and Refunding Bonds (Tax-Exempt)	Winter 2021-22	\$420 million
Los Angeles Wastewater System New Money Bonds (Taxable)	Winter 2021-22	\$70 million
MICLA Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property)	Winter 2021-22	\$155.4 million
Community Facilities District No. 8 (Legends of Cascades) 2022 Special Tax Refunding Bonds	Winter 2021-22	\$5 million
2022 Tax and Revenue Anticipation Notes	Summer 2022	\$1.6 billion
General Obligation Bonds (Proposition O)	Winter 2022-23	\$37 million
MICLA Lease Revenue Bonds, Series 2023-A (Capital Equipment) and Series 2023-B (Real Property)	Spring 2023	\$120 million

Source: City of Los Angeles, Office of the City Administrative Officer.

Overlapping Bonded Debt

Contained within the City are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued primarily in the form of general obligation, pension obligation, lease revenue, special tax, and special assessment bonds. A statement of the overlapping debt of the City, prepared by California Municipal Statistics Inc., is shown in the following table. The City makes no representations as to its completeness or accuracy. Self-supporting revenue bonds, tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement. The City anticipates issuing additional bonded debt. See “BONDED AND OTHER INDEBTEDNESS—Introduction” and “Proposed Additional Financings”. The City also anticipates that new special assessment and special tax districts may be created in the future within the City, and that debt supported by these special assessments and special taxes may be issued.

Table 51
STATEMENT OF OVERLAPPING DEBT
As of October 1, 2021

	Debt Outstanding 10/1/21	Estimated Percent Applicable	Estimated Shares Of Overlapping Debt 10/1/21
<u>OVERLAPPING DEBT REPAYED WITH PROPERTY TAXES⁽¹⁾</u>			
The Metropolitan Water District of Southern California	\$ 26,830,000	21.429%	\$ 5,749,401
Los Angeles Community College District	4,146,515,000	72.335	2,999,381,625
Beverly Hills Unified School District	441,617,136	0.148	653,593
Inglewood Unified School District	134,275,000	0.760	1,020,490
Las Virgenes Unified School District	107,388,325	0.886	951,461
Los Angeles Unified School District	10,335,150,000	88.386	9,134,825,679
Other School Districts	541,217,928	Various	444,536
City of Los Angeles Community Facilities District No. 3	605,000	100.000	605,000
City of Los Angeles Community Facilities District No. 4	59,225,000	100.000	59,225,000
City of Los Angeles Community Facilities District No. 8	5,425,000	100.000	5,425,000
Mountains Recreation and Conservation Authority Assessment Districts	14,730,000	100.000	14,730,000
Los Angeles Unified School District supported general obligation bonds			136,883,398
<u>OTHER OVERLAPPING DEBT:</u>			
Los Angeles County General Fund Obligations	2,575,585,386	40.851	1,052,152,386
Los Angeles County Superintendent of Schools Certificates of	3,972,227	40.851	1,622,694
Los Angeles County Sanitation District Nos. 1, 4, 5, 8 & 16 Authorities	6,697,602	0.001 – 11.927	328,022
Inglewood Unified School District Certificates of Participation	1,185,000	0.760	9,006
Las Virgenes Unified School District Certificates of Participation	9,517,975	0.886	84,329
Los Angeles Unified School District Certificates of Participation	120,710,000	88.386	106,690,741
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$317,850,000	100.000%	\$317,850,000
TOTAL, OVERLAPPING DEBT			\$13,564,865,000

⁽¹⁾ Excludes City of Los Angeles Community Facilities District No. 11, scheduled to close October 20, 2021. All \$22,410,000 will be applicable to the City.

Source: California Municipal Statistics, Inc.

OTHER MATTERS

Seismic Considerations

The City is subject to unpredictable and significant seismic activity. A number of known faults run through the City, and the City lies near the San Andreas Fault, which is the boundary between the Pacific and North American tectonic plates. The complex Los Angeles fault system interacts with the alluvial soils and other geologic conditions in the hills and basins of the area. This interaction poses a potential seismic threat for every part of the City, regardless of the underlying geologic and soils conditions. In addition, there are likely to be unmapped faults throughout the City. The most recent major earthquake, the Northridge earthquake in 1994, occurred along a previously unmapped blind thrust fault. The City generally does not maintain earthquake insurance coverage; see “BUDGET AND FINANCIAL OPERATIONS—Risk Management and Retention Program.”

Climate Change

The change in the earth’s average atmospheric temperature, generally referred to as “climate change”, is expected to, among other things, increase the frequency and severity of extreme weather events and cause substantial flooding. The City’s Sustainable City pLAN (the

“Plan,” also referred to as the City’s “Green New Deal”), released in 2015 and updated in 2019, provides a 20-year framework intended to both prepare for climate change and mitigate its effects on the City’s economy, infrastructure and communities. The Plan sets forth several actions that may be taken by the City, including improving emergency response functions and disaster preparedness, reducing air and water pollution, and managing rising temperatures in urban environments. In addition, the City has begun construction of a series of groundwater remediation projects to reduce the City’s reliance on imported water, is exploring the use of specially designed “cool roofs” to manage the effect of rising temperatures in urban environments, and is testing the effects of “cool pavement” (a special coating applied to city streets) to manage urban temperatures. The City continues to explore various other adaptive actions within the framework established by the Plan.

The City cannot predict the timing, extent, or severity of climate change and its impact on the City’s operations and finances. Climate change may be a factor in the increased incidence of wildfire in the City and elsewhere in the County and the State. Also, additional actions to address climate change may be necessary and the City can give no assurances regarding the impact of such actions on the City’s operations and finances.

Cybersecurity

The City relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the City and its departments face multiple cyber threats including hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. There have been, however, only limited cyber-attack disruptions on the City’s computer system to date. For example, in 2019, the City experienced a cyber-attack that impacted a cloud-hosted system at a City department. The attack potentially involved certain personal information of about 20,000 applicants who went through the LAPD recruitment process. The City mitigated the attack and notified all the affected individuals immediately. Following this incident, certain City personnel attended security awareness training. The City installed web application firewall and endpoint protection system to quickly identify and respond to cyber-attacks targeted at the department web application systems.

In 2013, the City created the Cyber Intrusion Command Center (the “CICC”) under a Mayoral Executive Directive to coordinate cybersecurity preparation and response across City departments. The CICC is comprised of key City departments, cybersecurity professionals, and local and federal law enforcement experts. The CICC has assisted the City in establishing policies for data classification, information handling, and cybersecurity prevention and response protocols. In 2015, the City established an Integrated Security Operations Center (the “ISOC”) with cybersecurity professionals for cyber-attack monitoring and response. In addition, the City has identified critical data assets and applied additional cyber defenses through its Critical Asset Protection program. The City has conducted cyber security awareness training for all City employees with computer access, conducts phishing email tests, and provides periodic cybersecurity newsletters and workshops to its employees. In 2017, the City consolidated and distributed a comprehensive Information Security Policy Manual with sections dedicated to City employees, City managers, and City technology professionals. Also, the City conducts annual “penetration tests” to identify and remediate any potential weaknesses in its networks and weekly cyber vulnerability scanning on City servers and websites accessible by the Internet.

No assurances can be given that the City's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the City's computer and information technology systems could impact its operations and damage the City's digital networks and systems, and the costs of remedying any such damage could be substantial.

Clean Water Compliance

The Clean Water Act ("CWA") regulates the discharges of pollutants into the waters of the United States by establishing quality standards. The CWA requires states to identify "impaired" water bodies and to develop a Total Maximum Daily Load ("TMDL") for each pollutant contributing to impairment. The CWA makes it unlawful to discharge any pollutant into waters protected by the CWA unless a permit is first obtained. The U.S. Environmental Protection Agency's ("EPA's") National Pollutant Discharge Elimination System ("NPDES") permit program controls these discharges. With respect to the City, the EPA has delegated permitting and direct enforcement under its NPDES program to the Los Angeles Regional Water Quality Control Board ("LARWQCB").

On November 8, 2012, the LARWQCB adopted the National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System Permit ("MS4 permit") Order No. R4-2012-0175, which became effective on December 28, 2012. The MS4 permit establishes the TMDL of pollutants that can be discharged into water while still meeting water quality standards and objectives. Eighty-four of the 88 cities in Los Angeles County (including the City of Los Angeles), the Los Angeles County Flood Control District, and the County are covered by the MS4 and responsible for compliance with the MS4 permit. The City is currently subject to 22 TMDL thresholds, encompassing a total of 192 pollutants, in the Los Angeles River, Ballona Creek, the Santa Monica Bay shoreline, Dominguez Channel, Marina Del Rey, and several lakes within the City. The City will likely become responsible for more TMDLs in the coming years. The TMDL compliance deadlines are spread out through 2037.

The MS4 permit allows for the option to work together to develop and implement Enhanced Watershed Management Programs ("EWMPs") to address permit and TMDL requirements. The MS4 permit has safe harbor provisions whereby, the City was deemed in compliance with the TMDLs during the development of the EWMPs, provided that all requirements and deadlines related to the EWMP development were met. As the EWMPs cross multiple local jurisdictions, the City collaborated with other participating agencies on the development of the EWMPs, which were approved by the LARWQCB in 2016.

Non-compliance with the MS4 permit and applicable TMDLs could result in enforcement action by the LARWQCB, civil penalties and fines, and potentially third-party lawsuits. For example, under State law, the LARWQCB may levy administrative fines of up to \$10,000 per pollutant per day of violation and impose mandatory minimum penalties of \$3,000 per pollutant per day of violation. In addition, under Federal law, the LARWQCB may seek civil liabilities of up to \$53,484 per pollutant per day, reflecting an increase in accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. Additionally, private citizens or the EPA can pursue penalties if the LARWQCB does not enforce on a violation. The City is responsible for its own fines, penalties and costs incurred as a result of non-compliance.

The City is currently in substantial compliance with the MS4 permit, but requires significant funding for capital, and operation and maintenance costs to implement the EWMPs necessary to meet the current TMDL compliance deadlines established by the MS4 permit. The City has partially funded the monitoring and reporting programs required by the MS4 permit by using existing Stormwater Pollution Abatement Funds (primarily funded by a charge on property) and by implementing cost sharing agreements between other municipalities. If not granted, the City could potentially face fines for failing to meet the 2021 TMDL compliance milestones as well as upcoming TMDL milestones that will take effect by 2026.

The City's share of the costs of the approved EWMP projects required to meet the TMDLs through 2037 is estimated by the LARWQCB to be approximately \$8 billion. Estimating project costs over such a long time period is inherently difficult and no assurance can be provided by the City that LARWQCB's approved projections are accurate.

One source of funding for these Clean Water costs will be from a special parcel tax approved by Los Angeles County voters. On November 6, 2018, Los Angeles County voters approved Measure W – The Los Angeles Region Safe, Clean Water Program (Measure W), a parcel tax of 2.5 cents per square foot of impermeable surface to support the costs of stormwater-related projects and activities. The tax has been collected on property tax bills countywide beginning with Fiscal Year 2019-20 and is projected to generate approximately \$300 million a year. This program is administered by the Los Angeles County Flood Control District ("LACFCD"). Revenues are allocated to three sub-programs: municipal, regional, and administrative. Fifty percent of revenues are allocated for region-wide projects and are awarded on a competitive basis. Forty percent of revenues are allocated to municipalities in the same proportion as the amount of revenues collected within each municipality. The remaining ten percent is allocated to the LACFCD for implementation and administration of the Measure W Program. Eligible uses for revenues include projects that provide a water supply and/or quality benefit and a community investment benefit.

The City has budgeted \$32 million from this source in the 2021-22 Budget and received \$35.9 million in 2020-21. In addition, the City is competing for project funding from the Measure W Regional Program administered by the LACFCD. Under the first round of regional funding for 2020-21, the Bureau of Sanitation secured funding totaling \$61.2 million over the next five years for four projects. As the regional program progresses, the Bureau of Sanitation is anticipating approximately \$20 million to \$30 million annually in regional returns.

In November 2004, the City of Los Angeles voters passed Proposition O, the Clean Water General Obligation Bond, authorizing the sale of \$500 million in general obligation bonds to finance projects that protect public health by cleaning up pollution in the City's rivers, lakes, and beaches. To date, the City has issued \$439.5 million in general obligation bonds for Proposition O. The City expects to issue \$37 million of bonds under the remaining \$60.5 million in authorized but unissued authority in the winter of 2022, and expects to leverage bond proceeds to support Measure W projects seeking regional funding.

On July 11, 2021, the City's major wastewater treatment plant (the Hyperion Water Reclamation Plant (the "Plant")) discharged over 17 million gallons of untreated sewage, through a one-mile outfall, into Santa Monica Bay. The discharge was triggered by the Plant's relief system in order to address flooding at the Plant from raw sewage overflow caused by an excessive amount of debris accumulation. Although the extent of the financial impact to the City from the discharge

cannot be determined at this time, it is expected that any financial impact will be limited to the City's wastewater enterprise fund.

2028 Olympic and Paralympic Games

The City has been selected by the International Olympic Committee ("IOC") as the host city for the 2028 Olympic and Paralympic Games ("2028 Games"). The local host committee is named the Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 ("LA 2028").

In accordance with a Memorandum of Understanding between the City, the United States Olympic Committee ("USOC"), and LA 2028, an independent review was conducted by KPMG to validate the 2028 Games budget. The 2028 Games budget is \$6.88 billion, which includes both a contingency against cost overruns of \$615.9 million and the impact of inflation. The City and LA 2028 approved the Youth Sport Partnership Agreement in February 2020 to provide the City \$160 million in order to enhance access and remove barriers to sport programming for youth leading up to the 2028 Games.

Pursuant to a Host City Contract between the City and the IOC, the IOC is protected against any costs and expenses in excess of those agreed to by the IOC. The City has several funding sources to finance expenses relative to the 2028 Games, including \$160 million pursuant to a Youth Sport Partnership Agreement and up to \$270 million from the State for budgetary shortfalls if the host committee has exhausted its funds and the City has spent \$270 million on the 2028 Games.

Other cities that hosted the Olympic Games and the Paralympic Games have incurred significant financial obligations because of the extensive capital project expenses of construction of new public infrastructure and facilities. However, the City does not anticipate it will be necessary to construct extensive new capital projects in order to host the 2028 Games. The City is presently unable to determine the fiscal impact and financial risk to the City of hosting the 2028 Games.

Federal Public Corruption Investigation

Jose Huizar, a former member of the Los Angeles City Council, has been indicted for violations of the Racketeer Influenced and Corrupt Organizations ("RICO") Act in connection with a criminal enterprise in which the United States Attorney alleges that Mr. Huizar received at least approximately \$1.5 million in bribes. Mr. Huizar was suspended from office on June 23, 2020. He has since been replaced by Kevin de Leon. Eight additional defendants have been charged as a result of the federal investigation, including two former officials of the City, one of whom has plead guilty. The federal criminal complaint against Mr. Huizar is part of an on-going public corruption investigation of City elected officials and staff members conducted by the Federal Bureau of Investigations and the United States Attorney's Office. Mitchell Englander, a former City Council member, resigned his City Council seat on December 31, 2018, pled guilty in connection with the investigation, and has begun serving 14 months in federal prison. The City cannot predict the outcome of these investigations.

On October 13, 2021, Mark Ridley-Thomas, a member of the City Council, was indicted on federal charges of conspiracy, bribery, mail fraud and wire fraud relating to alleged actions taken while he served on the Board of Supervisors of the County. The City cannot predict the outcome of the investigation or proceedings.

LITIGATION

The City is routinely a party to a variety of pending and threatened lawsuits and administrative proceedings that may affect the General Fund of the City. The following list of certain newly completed, pending or threatened litigation matters involving the City was prepared by the Office of the City Attorney, and includes matters with a potential exposure of \$10 million or more. For all pending or threatened litigation matters and administrative proceedings not listed below, the City believes, based on current facts and circumstances, that a final determination of such matters, either individually or in the aggregate, should not materially affect the General Fund's financial position. Certain litigation or administrative proceedings discussed below, if determined in a final and conclusive manner adverse to the City, may, individually or in the aggregate, materially affect the General Fund's financial position.

1. *Telephone Utility Users Tax Cases.*

A number of claims have been filed in connection with the City's Telephone Utility Users tax on telephone services, which was amended in 2008 to eliminate any such future claims (see "MAJOR GENERAL FUND REVENUE SOURCES — Utility Users Taxes"). On December 27, 2006, in *Ardon v. City of Los Angeles*, plaintiff filed a class action that challenged the validity of the City's telephone utility users tax based on a federal government interpretation of the federal excise tax. The City settled this case in 2016, the terms of which capped its liability to \$92.5 million. The City initially transferred \$50 million to an escrow account managed by a third-party administrator for payment of claims and other costs during 2016-17. Following the third party administrator's final accounting, which was completed in September 2021, the City's final liability was determined to be approximately \$48.7 million, and no additional General Fund expenditures are anticipated.

2. *Federal Accessibility Law Matters.*

False Claims Act Claim

The City Attorney was advised by letter, dated November 30, 2011, that the Civil Fraud Section of the U.S. Department of Justice was investigating whether the City allegedly violated the False Claims Act ("FCA") in connection with certain federal accessibility law compliance certifications to U.S. Department of Housing and Urban Development ("HUD").

On June 7, 2017, the U.S. District Court of the Central District of California released its order announcing DOJ's election to intervene, on behalf of two private parties pursuing litigation against the City for FCA violations arising out of such certifications and other state common law claims against the City.

If the DOJ is successful in its suit, the City could face potential exposure to treble damages calculated based on the City's receipt of Community Development Block Grant ("CDBG"), HOME Investment Partnership, and Housing Opportunities for People with AIDS ("HOPWA") funds from as early as 2001 until 2010, as well as related civil penalties, which, based on the private parties' original complaint, is estimated to be approximately \$3 billion. However, the City disputes (1) any assertion that, as a matter of law, the City's certifications signed as part of these

entitlement programs are subject to the FCA; (2) that any conduct by the City otherwise met the high standard for imposing FCA liability; (3) that there is a factual basis for treble damages calculated from the total of these receipts, even if the Court otherwise found the City liable; and (4) that there is any legal basis for DOJ to bring the state common law claims against the City. The City is vigorously defending its interests in this matter. Due to the preliminary nature of the matter, an estimable liability amount is difficult to ascertain at this time.

HUD Investigation

During three visits in late 2011, HUD's Office of Fair Housing and Equal Opportunity ("HUD FHEO") purportedly reviewed the City's compliance with the Americans With Disabilities Act ("ADA") and other federal accessibility laws as part of HUD FHEO's oversight of the City's receipt of federal funds from HUD, which the City uses to fund housing developments.

On August 2, 2019, the City and HUD entered into a Voluntary Compliance Agreement ("VCA"). The VCA addresses the same alleged deficiencies and conduct underlying DOJ's claims against the City in connection with its compliance certifications under the FCA. Under the VCA, the City committed to spend no less than \$20 million per year for the next ten years to correct accessible deficiencies in its City funded housing developments to the extent such remediation costs are not covered under the *Independent Living* settlement discussed below. As a result of the City's execution of the VCA, the Civil Rights Division of DOJ has notified the City that it has terminated its investigation of the City's alleged noncompliance with federal accessibility laws.

Independent Living Center of Southern California, et al. v. City of Los Angeles

This case was brought by three fair housing advocacy organizations against the City, CRA/LA, and 34 owners of affordable housing projects. The City settled the matter with the plaintiffs on August 30, 2016. Under the terms of the settlement, the City will spend approximately \$200 million dollars over 10 years to provide 4,000 additional housing units compliant with federal accessibility requirements. To reach this goal, the City will either remediate existing housing units that are not currently in compliance with federal accessibility requirements or construct new housing units compliant with federal accessibility requirements. The City also agreed to pay the following: (a) \$4.5 million in damages to the plaintiffs, (b) \$16 million in attorneys' fees, (c) approximately \$750,000 in plaintiffs attorneys' costs, and (d) \$6,000,000 in court appointed monitor fees. The terms under this settlement agreement largely overlap with the construction and remediation obligations, required of the City under the VCA described above. However, to account for additional costs associated with the monitoring of the terms of the settlement, in late 2019 the court required the parties to meet and confer on increasing these fees. In October 2020, the City Council approved an additional increase in the court-appointed monitor fee of \$606,000 for the initial three years of the ten-year settlement term. The cost of this increase to the City is partially offset by \$427,000 in savings from Fiscal Year 2018-19. In October 2020, the City Council also

approved an additional \$3,578,000 in attorneys' fees for monitoring the last seven years of the settlement term.

3. *Clear Channel Outdoor, Inc.*

Clear Channel filed a Claim for Damages, dated February 1, 2018, for an amount in excess of \$100 million arising from a federal appellate court decision invalidating a settlement agreement between the City and certain outdoor advertising companies (the “Summit Media Decision”). The claim alleges: (i) violation of the City’s representations and warranties in the settlement agreement that the conversions of its existing signs to digital technology did not violate the City’s regulations, and that (ii) just compensation is due under the California Outdoor Advertising Act. The City denied the claim by letter dated March 1, 2018. The parties entered into another tolling agreement extending the term to February 1, 2022. Unless the tolling agreement is extended again, the statute of limitation will begin to run starting February 1, 2022.

4. *CBS Outdoor.*

CBS Outdoor filed a Claim for Damages on May 13, 2013, for an amount stated to be in excess of \$1 million arising from the Summit Media Decision, for damages, lost revenue, attorneys’ fees, restitution and costs. The City denied the Claim by letter dated June 8, 2013. The parties’ most recent tolling expired on January 1, 2020. CBS Outdoor has four years to file suit. A suit has yet to be filed.

5. *Brewster v. City of Los Angeles.*

On or about November 2, 2014, plaintiffs filed a putative class action in Federal District Court for damages pursuant to 42 U.S.C. § 1983. The complaint alleged that the City violated the plaintiffs’ rights under the Fourth Amendment of the U.S. Constitution, and related state laws, by impounding vehicles without a warrant for 30 days pursuant to Vehicle Code section 14602.6.

On December 26, 2014, the City filed a motion to dismiss the plaintiffs’ complaint. The Federal District Court granted the City’s motion to dismiss the complaint on March 19, 2015. Plaintiffs appealed the Federal District Court’s dismissal to the Ninth Circuit Court of Appeals. On June 21, 2017, the Ninth Circuit Court of Appeals reversed the District Court’s decision to dismiss the complaint. The City sought review of the Ninth’s Circuit’s decision with the U.S. Supreme Court. On March 19, 2018, the U.S. Supreme Court denied the City’s request. The District Court heard arguments on the motion for class certification on September 21, 2020. On August 5, 2021, the District Court granted plaintiff’s motion for class certification, in part and denied in part. The District Court certified two classes and denied the certification of a third. Plaintiffs’ filed a motion of reconsideration with respect to the third class on August 17, 2021. Based on the pleadings, the plaintiffs’ claim of damages for the certified classes is estimated to be approximately \$18 million.

6. *Blue Cross of America v. City of Los Angeles.*

On March 30, 2017, Blue Cross filed a protective tax refund complaint of business taxes paid for tax year 2015, under Article XIII, Section 28 of the California Constitution. In October 2017, Blue Cross filed a supplemental claim (together with the 2017 complaint, the “Blue Cross Action”) seeking additional refunds of

business taxes paid for tax years 2016, 2017, 2018 and 2019. Blue Cross' protective refund action arises out of a separate action in Los Angeles County Superior Court, entitled *Michael D. Myers v. State Board of Equalization, et al.* (BS143436) ("Myers"). Myers proceeded under a California statute that permitted an individual taxpayer to sue a governmental agency when the taxpayer believes the agency has failed to enforce governing law.

One of the issues to be resolved in *Myers*, is whether Blue Cross is an "insurer" for purposes of California tax law and therefore required to pay a gross premiums tax in lieu of a corporate franchise tax. Following an adverse appellate court ruling, which concluded that the matter should be first adjudicated at the trial court, on April 2, 2019, Blue Cross filed a request to the California Supreme Court to resolve the question of whether Blue Cross is an "insurer" under the California Constitution. The California Supreme Court denied the appeal on May 15, 2019. Due to COVID-19, the trial was rescheduled from July 2020 to January 2021. On February 21, 2021, the trial court, in a judgment, determined that Blue Cross was not an "insurer". On March 21, 2021, the plaintiffs filed a notice of appeal. It is unknown when the appeal will be heard. In the event that Blue Cross is determined to be an "insurer" upon final adjudication of the issue, it would likely be entitled to a refund of previously paid City business taxes. The refund is estimated to be approximately \$55 million (inclusive of interest), as computed through the end of 2021, plus attorney's fees.

7. *Apartment Owners Association of Ca. v. City of Los Angeles.*

On September 27, 2017, the plaintiffs filed a class action claim in Superior Court alleging the franchise fee collected by the City from private commercial waste haulers for the rights to service commercial and multi-family buildings should be treated as a tax under Proposition 218, and therefore required voter approval. The plaintiffs asserted two causes of action: (1) a refund of the franchise fees; and (2) a declaration that the franchise fees are taxes. On November 2, 2020, the City filed a motion for summary judgment on both causes of action; that same date, the plaintiffs filed a motion for summary adjudication of the second cause of action. On March 16, 2021, the Court granted the City's motion for summary judgment, holding that the plaintiffs lacked standing to bring both causes of action. On the same date, the Court also denied the plaintiffs' motion for summary adjudication. On April 6, 2021, judgment was entered in the City's favor. On June 2, 2021, the plaintiffs' filed a notice of appeal.

8. *Capital Foresight Investments, LP et al v. City of Los Angeles.*

On September 15, 2019, the plaintiffs filed suit against the City over the City's seventy-inch below-ground storm drain located under the plaintiffs' properties. The plaintiffs allege that the City does not hold an easement on the plaintiffs' property for the drain and thus its presence limits the developmental value of the property. On April 23, 2021, the plaintiffs' stayed the case indefinitely subject to the plaintiffs' relocation of the storm drain. Under the terms of the stay, the plaintiffs' will be permitted to seek reimbursement from the City for the reasonable cost associated with the relocation of the storm drain. To the extent the parties dispute

the cost reimbursement, the plaintiffs' will be able to revive its suit as it relates to the cost reimbursement figure.

9. *Andrew Wilson et al. v. City of Los Angeles et al.*

In 1984, plaintiff was arrested and charged with the robbery felony-murder of Christopher Hanson. The plaintiff maintained his innocence. After spending 34 years in custody, the plaintiff was released. Following his release, the plaintiff sued the City, together with other parties, for wrongful incarceration in Federal court. He alleged that the only evidence directly connecting him to the murder was the eyewitness testimony of a witness to the murder, and that the witness' identification of the plaintiff was the result of wrongdoing by one of the LAPD Detectives who was involved in the murder investigation. As a result of the Detective's alleged wrongdoing, the plaintiff was wrongfully convicted of murder. A settlement, by and between the parties, is pending.

10. *LA Alliance for Human Rights et al. v. City of Los Angeles et al.*

On March 10, 2020, the plaintiffs filed suit against the City of Los Angeles ("City") and the County of Los Angeles ("County") for violating various State and Federal laws in connection with homeless individuals. The plaintiffs contend that the County and the City have not made sufficient progress in providing housing and other services to the homeless population. Such failure has resulted in impassable sidewalks and exposed the public to health risks, environmental hazards, increased crime, and untreated mental illness and addiction. The plaintiffs demand that the Defendants provide immediate shelter for all homeless individuals to abate the degradation of the cities and communities.

On May 15, 2020, the US District Court of Central District of California ("District Court") issued a preliminary injunction requiring the City and the County to relocate and shelter approximately 6,000 to 7,000 homeless individuals living near freeway overpasses, underpasses, and ramps. Of that number, approximately 3,000 to 4,000 were found in the City. Under the order, the City, together with the County, were required to shelter or provide alternative housing to these homeless individuals in facilities that were safe, humane, hygienic, and public health compliant. The injunction was to be effective on May 22, 2020. The District Court stayed its order on May 22, 2020 pending the review of an alternative shelter and relocation plan submitted by the City and County. On June 18, 2020, the City and County entered into an agreement to memorialize an alternative shelter and relocation plan, subject to court approval and monitoring. Under the agreement, the City agreed to provide 6,700 beds to shelter homeless individuals. Of that number, 6,000 would be additional new beds to be available from the date of the agreement, as follows: 5,300 beds within 10 months and 700 beds within 18 months. On June 18, 2020, the District Court approved the agreement and vacated the preliminary injunction.

A preliminary estimate of the capital cost to the City for providing the 6,700 beds is \$200 million. The City estimates that the annual cost of operations and services for this population is \$104 million, of which the County has agreed to pay the City approximately \$60 million per year for five years. The City has committed to fund

the remaining half of the estimated annual operations and services costs. Such costs will total approximately \$300 million over five years. While the City anticipates that all of these obligations will be financed in 2021-22 with COVID-related federal and State funds, and County funds for services, in future years these obligations could result in additional expenditures from the City's General Fund.

On April 20, 2021, the District Court issued a preliminary injunction in this case focused on the City's and County's handling of homelessness in the "Skid Row" area of the City. In the injunction, among other things, the District Court ordered (1) the City to place \$1 billion into an escrow account for an accounting of its uses (reflecting the approximate amount that the City allocated to homelessness in the 2021-22 Budget), (2) suspended the sale or transfer of any City property pending a City Controller report, (3) ordered an audit of the City's expenditures related to homeless housing, and (4) ordered the City and County to offer housing to Skid Row residents within 90 days in the case of unaccompanied women and children; within 120 days in the case of families; and within 180 days in the case of the general population. The cost estimate to offer housing to Skid Row residents is unknown at this time.

The City and County appealed the District Court's preliminary injunction to the Ninth Circuit Court of Appeals on April 21, 2021. On or about September 23, 2021, the Ninth Circuit vacated the District Court's April 21, 2021 preliminary injunction. The City will no longer be compelled to comply with the terms of the April 21, 2021 preliminary injunction. The District Court case will continue to proceed.

11. *Black Lives Matter et al. v. City of Los Angeles et al.*

On or about July 7, 2020, the City was served with a class action lawsuit alleging that the Los Angeles Police Department violated the Federal and State Constitutional rights of protestors and rioters during its response to quell civil unrest in late May and early June 2020. The protests and riots were part of the nationwide movement following the deaths of George Floyd, from the actions of four officers of the Minneapolis Police Department, and Breonna Taylor, shot by Louisville Metro Police Department officers. The lawsuit was filed in Federal District Court. The lawsuit seeks class certification, injunctive relief and unspecified damages. The court issued an injunction against the City which limited LAPD's use to less lethal munitions in public protest situations. Due to the preliminary nature of the lawsuit, an estimable amount of liability cannot be determined.

12. *GHP Management et al. v. City of Los Angeles et al.*

On August 27, 2021, the City was served with a lawsuit, in District Court, that alleges that the City's COVID-19 eviction moratorium constituted an uncompensated governmental taking in violation of the U.S. and California Constitutions. The moratorium, plaintiffs claim, has permitted their tenants to abstain from remitting any rental payments while continuing to reside in the rental units. They seek damages in the form of unpaid rents, interest, and attorneys' fees. At this time, due to the preliminary nature of the lawsuit, an estimable liability amount cannot be determined.

In addition to the cases listed above, the following lawsuit has been filed challenging the City's actions relative to freezing OPEB Benefits for sworn employees. See "BUDGET AND FINANCIAL OPERATIONS—Retirement and Pension Systems—Fire and Police Pension Plan," above.

1. *Los Angeles Police Protective League and United Firefighters of Los Angeles City v. Board of Fire and Police Pension Commissioners v. City of Los Angeles.*

In this case plaintiffs seek a judgment declaring that their letter of agreement with the City requires the Retirement Board to increase the retirees' medical subsidy by the maximum amount allowable per year under the Administrative Code. The City prevailed on a demurrer, but the Court of Appeal reversed and issued a remitter, sending the case back to the trial court to resolve disputed factual issues. A bench trial occurred from September 26 to September 28, 2016. Following the bench trial, the court issued a tentative decision in favor of the plaintiffs. In November 2016, the trial court ruled in favor of the plaintiffs' claim with respect to the medical subsidy. The City appealed the trial court ruling. On October 30, 2018, the appellate court reversed the trial court and ordered that the case be remanded for a new trial.

On August 10, 2017, the Los Angeles Police Protective League filed an additional lawsuit against the Board of Police Pension Commissioners and the City in Los Angeles County Superior Court. The complaint, as supplemented, alleges that the Board should have raised the retiree subsidy to the maximum amount of 7 percent for the fiscal year beginning July 1, 2017 rather than the 6 percent then awarded and for the fiscal years thereafter. This case has been consolidated with the case discussed above. Due to the coronavirus, the trial date initially was rescheduled from December 2020 to September 20, 2021. The trial date has been further rescheduled to October 28, 2021. In the event of an adverse ruling, which is reasonably possible, a special study would need to be conducted by the LAFPP Plan actuary in order to quantify the costs of the annual subsidy increase.

PART 2: HISTORIC, ECONOMIC AND DEMOGRAPHIC INFORMATION

Introduction

The City of Los Angeles is the second most populous city in the United States, with an estimated 2021 population of 3.92 million. Los Angeles is the principal city, comprised of 470 square miles, of a metropolitan region stretching from the City of Ventura to the north, the City of San Clemente to the south, the City of San Bernardino to the east, and the Pacific Ocean to the west.

The economic and demographic information below is provided as general background. Although it has been collected from sources that the City considers to be reliable, the City has made no independent verification of the information provided by non-City sources and the City takes no responsibility for the completeness or accuracy thereof. The current state of the economy of the City, State of California and the United States of America may not be reflected in the data discussed below, because more up-to-date information is not publicly available. In particular, the impact of the COVID-19 pandemic on the local economy and workforce is not reflected in the information within.

History

Founded in 1781, Los Angeles was for its first century a provincial outpost under successive Spanish, Mexican and American rule. Incorporated in 1850 under the provisions of a City Charter, the City experienced a population boom following its linkage by rail with San Francisco in 1876. Los Angeles was selected as the Southern California rail terminus because its natural harbor seemed to offer little challenge to San Francisco, home of the railroad barons. But what the region lacked in commerce and industry, it made up in temperate climate and available real estate, and soon tens and then hundreds of thousands of people living in the Northeastern and Midwestern United States migrated to new homes in the region. Agricultural and oil production, followed by the creation of a deep-water port, the opening of the Panama Canal, and the completion of the City-financed Owens Valley Aqueduct to provide additional water, all contributed to an expanding economic base. The City's population climbed to 50,000 persons in 1890, and then swelled to 1.5 million persons by 1940. During this same period, the automobile became the principal mode of American transportation, and the City developed as the first major city of the automotive age. Following World War II, the City became the focus of a new wave of migration, with its population reaching 2.4 million persons by 1960.

The City and its surrounding metropolitan region continued to experience growth in population and in economic diversity. The City's 470 square miles contain 11.5 percent of the area of the County of Los Angeles, California (the "County") and approximately 39 percent of the population of the County. Tourism and hospitality, professional and business services, direct international trade, entertainment (including motion picture and television production), and wholesale trade and logistics all contribute significantly to local employment. Emerging industries are largely technology driven, and include biomedical technology, digital information technology, environmental technology and aerospace. The County is a top-ranked county in manufacturing in the nation. Important manufacturing components of local industry include apparel, computer and electronic components, transportation equipment, fabricated metal, and food processing. Fueled by trade with the Pacific Rim countries, the Ports of Los Angeles and Long Beach combined are

the busiest container ports in the nation. As home to the film, television and recording industries, as well as important cultural facilities, the City serves as a principal global cultural center.

Population

The table below summarizes City, County, and State population, estimated as of January 1 of each year.

Table 52
CITY, COUNTY AND STATE POPULATION STATISTICS

	City of <u>Los Angeles</u>	Annual <u>Growth Rate⁽¹⁾</u>	County of <u>Los Angeles</u>	Annual <u>Growth Rate⁽¹⁾</u>	State of <u>California</u>	Annual <u>Growth Rate⁽¹⁾</u>
2000	3,694,742	-	9,519,330	-	33,873,086	-
2005 ⁽¹⁾	3,769,131	0.40%	9,816,153	0.62%	35,869,173	1.18%
2010 ⁽¹⁾	3,792,621	0.12	9,818,605	0.00	37,253,956	0.77
2015 ⁽¹⁾	3,938,939	0.77	10,124,800	0.62	38,865,532	0.87
2016	3,958,803	0.50	10,150,386	0.25	39,103,587	0.61
2017	3,984,916	0.66	10,181,162	0.30	39,352,398	0.64
2018	3,996,298	0.29	10,192,593	0.11	39,519,535	0.42
2019	3,986,031	(0.26)	10,163,139	(0.29)	39,605,361	0.22
2020	3,975,234	(0.27)	10,135,614	(0.27)	39,648,938	0.11
2021	3,923,341	(1.31)	10,044,458	(0.90)	39,466,865	(0.46)

⁽¹⁾ For five-year time series, figures represent average annual growth rate for each of the five years.

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2021, with 2010 Census Benchmark. Sacramento, California, May 7, 2021.

Industry and Employment

The following table summarizes the average number of employed and unemployed residents of the City and the County, based on the annual “benchmark,” an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records. The “benchmark” data is typically released in March for the prior calendar year.

Table 53
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND
UNEMPLOYMENT OF RESIDENT LABOR FORCE⁽¹⁾

<u>Civilian Labor Force</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of Los Angeles					
Employed	1,923,300	1,960,500	1,974,600	1,988,500	1,750,400
Unemployed	<u>106,900</u>	<u>98,600</u>	<u>95,800</u>	<u>92,900</u>	<u>259,300</u>
Total	2,030,100	2,059,100	2,070,500	2,081,300	2,009,700
County of Los Angeles					
Employed	4,765,900	4,841,900	4,860,300	4,894,300	4,291,700
Unemployed	<u>264,600</u>	<u>242,200</u>	<u>235,200</u>	<u>227,300</u>	<u>629,800</u>
Total	5,030,500	5,084,000	5,095,500	5,121,600	4,921,500
<u>Unemployment Rates</u>					
City	5.3%	4.8%	4.6%	4.5%	12.9%
County	5.3%	4.8%	4.6%	4.4%	12.8%
State	5.5%	4.8%	4.3%	4.2%	10.1%
United States	4.9%	4.4%	3.9%	3.7%	8.1%

⁽¹⁾ March 2020 Benchmark report as of March 26, 2021; not seasonally adjusted.

Note: Based on surveys distributed to households; not directly comparable to Industry Employment data reported in Table 54.

Sources: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S.

The COVID-19 pandemic caused an unprecedented loss of jobs and an increase in unemployment. Unemployment for the City for April 2020 was 20.7 percent, increased from 5.5 percent in March (not seasonally adjusted). The previous high in unemployment was 12.3 percent at the height of the Great Recession in 2010. The California Employment Development Department has reported preliminary unemployment figures for August 2021 of 7.5 percent statewide, 9.7 percent for the County, and 9.7 percent for the City (not seasonally adjusted).

The following table summarizes the California Employment Development Department’s estimated annual employment for the County as of March 2020 (prior to the pandemic), which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment-in-kind, or piece rates. Separate figures for the City are not maintained. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

Table 54
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE⁽¹⁾

	County of Los Angeles <u>2020</u>	% of <u>Total</u>	State of California <u>2020</u>	% of <u>Total</u>
Agricultural	4,400	0.1%	407,300	2.5%
Mining and Logging	1,700	0.0	19,800	0.1
Construction	145,500	3.5	855,100	5.2
Manufacturing	313,800	7.6	1,261,700	7.6
Trade, Transportation and Utilities	787,300	19.0	2,894,900	17.5
Information	185,800	4.5	529,000	3.2
Financial Activities	211,500	5.1	815,300	4.9
Professional and Business Services	593,300	14.3	2,595,200	15.7
Educational and Health Services	820,900	19.8	2,731,600	16.5
Leisure and Hospitality	394,400	9.5	1,477,600	8.9
Other Services	127,000	3.1	473,200	2.9
Government	<u>565,600</u>	13.6	<u>2,487,100</u>	15.0
Total ⁽²⁾	4,151,000		16,547,900	

⁽¹⁾ The California Employment Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.

⁽²⁾ May not add due to rounding.

Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table 53.

Source: California Employment Development Department, Labor Market Information Division. Based on March 2020 Benchmark report released March 26, 2021.

Major Employers

The estimated top 25 major non-governmental employers in the County in 2021 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major non-governmental employers represented 7.5 percent of the labor force.

Table 55
LOS ANGELES COUNTY
2021 MAJOR NON-GOVERNMENTAL EMPLOYERS

<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
Kaiser Permanente	Nonprofit health care plan	40,876
University of Southern California	Private university	22,465
Target Corp.	Retailer	20,000 ⁽¹⁾
Northrop Grumman Corp.	Defense contractor	18,000 ⁽¹⁾
Cedars-Sinai	Health system	16,309
Amazon	Online retailer	16,200 ⁽¹⁾
Allied Universal	Security professionals	15,326
Providence	Health care	14,935
Ralphs/Food 4 Less – Kroger Co.	Grocery retailer	14,585
Walt Disney Co.	Media and entertainment	12,200 ⁽¹⁾
Boeing Co.	Aerospace and defense, commercial jetliners, space and security systems	12,005 ⁽¹⁾
UPS	Logistics, transportation and freight	11,643 ⁽¹⁾
Home Depot	Home improvement specialty retailer	11,200 ⁽¹⁾
NBCUniversal	Media and entertainment	11,000 ⁽¹⁾
AT&T	Telecommunications, DirecTV, cable, satellite and television provider	10,500 ⁽¹⁾
Albertsons Cos.	Grocery retailer	9,700 ⁽¹⁾
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	8,988
Edison International	Electric utility, energy services	7,672
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	7,400 ⁽¹⁾
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	7,143
Wells Fargo & Co.	Diversified financial services	7,075 ⁽¹⁾
FedEx Corp.	Shipping and logistics	6,750 ⁽¹⁾
Children's Hospital Los Angeles	Hospital	6,405
Raytheon Intelligence & Space	Advanced sensors, training cyber and software solutions	6,133
Dignity Health	Health care	6,118

⁽¹⁾ Business Journal estimate.

Source: Los Angeles Business Journal, Weekly Lists, originally published October 11, 2021.

The estimated top 25 major governmental employers in the County in 2021 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major governmental employers represented 9.8 percent of the labor force.

Table 56
LOS ANGELES COUNTY
2021 LARGEST PUBLIC SECTOR EMPLOYERS

<u>Employers</u>	<u>Employees</u>
Los Angeles County	111,800
Los Angeles Unified School District	75,676
Federal Executive Board ⁽¹⁾	50,000
University of California, Los Angeles	46,130
City of Los Angeles ⁽²⁾	32,500
State of California ⁽³⁾	29,100
Long Beach Unified School District	11,267
Los Angeles County Metropolitan Transportation Authority	9,115
Los Angeles Department of Water and Power	8,770
Los Angeles Community College District	6,623
City of Long Beach	4,700
Cal State Northridge	3,933
Los Angeles World Airports	3,050
Pomona Unified School District	2,840
Cal Poly Pomona	2,675
Cal State Los Angeles	2,644
Cal State Long Beach	2,615
Montebello Unified School District	2,320
Mt. San Antonio Community College District	2,021
Compton Unified School District	1,992
City of Glendale	1,980
City of Santa Monica	1,900
William S. Hart Union High School District	1,900
City of Pasadena	1,795
Santa Monica Community College District	1,768

⁽¹⁾ Excludes law enforcement and judiciary employees.

⁽²⁾ Excludes proprietary departments (LADWP, LAWA, Port of L.A.).

⁽³⁾ Excludes education employees.

Source: Los Angeles Business Journal, Weekly Lists, originally published October 11, 2021.

Personal Income

The U.S. Census Bureau defines personal income as the income received by all persons from all sources, and is the sum of “net earnings,” rental income, dividend income, interest income, and transfer receipts. “Net earnings” is defined as wages and salaries, supplements to wages and salaries, and proprietors’ income, less contributions for government social insurance, before deduction of personal income and other taxes.

The following table summarizes the latest available estimate of personal income for the County, State and United States; equivalent data is not available for the City.

Table 57
COUNTY, STATE AND U.S.
PERSONAL INCOME

Year and Area	Personal Income (thousands of dollars)	Per Capita Personal Income ⁽¹⁾ (dollars)
2016		
County ⁽²⁾	\$ 581,458,264	\$57,538
State ⁽³⁾	2,273,557,500	58,074
United States ⁽³⁾	16,151,881,000	49,995
2017		
County ⁽²⁾	\$ 602,431,122	\$59,625
State ⁽³⁾	2,383,130,500	60,581
United States ⁽³⁾	16,937,582,000	52,096
2018		
County ⁽²⁾	\$ 627,608,360	\$62,300
State ⁽³⁾	2,514,503,400	63,759
United States ⁽³⁾	17,839,255,000	54,581
2019		
County ⁽²⁾	\$ 653,482,910	\$65,094
State ⁽³⁾	2,632,279,800	66,745
United States ⁽³⁾	18,542,262,000	56,474
2020		
County	N/A	N/A
State ⁽³⁾	\$ 2,814,010,800	\$71,480
United States ⁽³⁾	19,679,715,100	59,729

⁽¹⁾ Per capita personal income was computed using Census Bureau midyear population estimates. Per capita personal income is total personal income divided by total midyear population. Estimates for 2016 to 2019 reflect county population estimates available as of March 2020.

⁽²⁾ Last updated: November 17, 2020 – new statistics for 2019; revised statistics for 2016 – 2018.

⁽³⁾ Last updated: March 24, 2021 –new statistics for 2020; revised statistics for 2016 – 2019.

Source: U.S. Bureau of Economic Analysis, “Table SAINC1: Personal Income Summary” and “Table CAINC1: Personal Income Summary” (accessed September 13, 2021).

Retail Sales

As the largest city in the County, the City accounted for \$39.0 billion (or 25 percent) of the total \$155.7 billion in County taxable sales for 2020. The following table sets forth a history of taxable sales for the City for calendar years 2016 through 2020.

Table 58
CITY OF LOS ANGELES
TAXABLE SALES
(in thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Motor Vehicle and Parts Dealers	\$ 4,769,093	\$ 4,622,056	\$4,953,943	\$4,920,618	\$4,542,813
Home Furnishings and Appliance Stores	1,945,181	1,961,481	1,994,456	1,879,295	1,498,438
Bldg. Materials and Garden Equip. and Supplies	2,384,196	2,473,704	2,604,997	2,633,786	2,761,651
Food and Beverage Stores	2,781,424	2,909,253	2,965,281	3,003,306	3,002,654
Gasoline Stations	3,670,451	3,973,137	4,577,433	4,634,896	2,857,608
Clothing and Clothing Accessories Stores	3,201,152	3,211,811	3,358,528	3,392,114	2,269,390
General Merchandise Stores	2,812,550	2,858,495	2,901,449	2,908,563	2,486,745
Food Services and Drinking Places	8,775,092	9,273,985	9,704,572	10,214,928	6,159,671
Other Retail Group	<u>4,229,201</u>	<u>4,292,007</u>	<u>4,582,036</u>	<u>4,686,277</u>	<u>4,349,487</u>
Total Retail and Food Services	34,568,339	35,575,932	37,642,695	38,273,783	29,928,457
All Other Outlets	<u>10,624,426</u>	<u>11,140,929</u>	<u>11,862,801</u>	<u>11,900,668</u>	<u>9,076,295</u>
TOTAL ALL OUTLETS	\$45,192,765	\$46,716,861	\$49,505,496	\$50,174,451	\$39,004,752
Year-over-year growth	2.5%	3.4%	6.05%	1.4%	(22.3%)

Source: California Department of Tax and Fee Administration, Research and Statistics.

Land Use

The following table, derived from data maintained by the Los Angeles County Assessor, indicates various land uses within the City based on assessed valuation and the number of parcels.

Table 59
CITY OF LOS ANGELES
ASSESSED VALUATION AND PARCELS BY LAND USE

	2021-22 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential				
Commercial Office	\$ 99,479,806,013	14.18%	26,214	3.36
Vacant Commercial	2,411,441,436	0.34	1,329	0.17
Industrial	45,798,520,681	6.53	17,694	2.27
Vacant Industrial	1,952,747,009	0.28	4,115	0.53
Recreational	2,697,996,471	0.38	790	0.10
Government/Social/Institutional	4,025,036,089	0.57	3,701	0.47
Miscellaneous	<u>376,223,984</u>	<u>0.05</u>	<u>1,803</u>	<u>0.23</u>
Subtotal Non-Residential	\$156,741,771,683	22.35%	55,646	7.13%
Residential				
Single Family Residence	\$374,334,075,716	53.37%	503,701	64.50%
Condominium/Townhouse	45,834,858,933	6.53	89,666	11.48
Mobile Homes and Lots	174,681,616	0.02	3,450	0.44
Mobile Home Park	245,888,787	0.04	93	0.01
2-4 Residential Units	36,796,040,685	5.25	74,932	9.59
5+ Residential Units/Apartments	84,025,603,719	11.98	35,512	4.55
Vacant Residential	<u>3,301,184,220</u>	<u>0.47</u>	<u>17,984</u>	<u>2.30</u>
Subtotal Residential	\$544,712,333,676	77.65%	725,338	92.87%
Total	\$701,454,105,359	100.00%	780,984	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Residential Value and Construction Activity

The following table indicates the array of assessed valuation for single-family residential properties in the City.

Table 60 CITY OF LOS ANGELES PER PARCEL ASSESSED VALUATION OF SINGLE-FAMILY RESIDENTIAL PROPERTIES						
	<u>No. of Parcels</u>	<u>2021-22 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>		
Single Family Residential Properties	503,701	\$374,334,075,716	\$743,167	\$409,411		
<u>2021-22 Assessed Valuation</u>	<u>No. of Residential Parcels ⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	6,435	1.278%	0.178%	\$ 225,186,390	0.060%	0.060%
\$50,000 - \$99,999	15,478	3.073	4.350	1,163,094,310	0.311	0.371
\$100,000 - \$149,999	17,847	3.543	7.894	2,234,658,564	0.597	0.968
\$150,000 - \$199,999	28,872	5.732	13.626	5,087,361,888	1.359	2.327
\$200,000 - \$249,999	36,916	7.329	20.954	8,308,388,792	2.220	4.546
\$250,000 - \$299,999	43,021	8.541	29.495	11,810,210,962	3.155	7.701
\$300,000 - \$349,999	50,184	9.963	39.459	16,303,175,712	4.355	12.057
\$350,000 - \$399,999	49,281	9.784	49.242	18,470,666,643	4.934	16.991
\$400,000 - \$449,999	26,509	5.263	54.505	11,260,599,056	3.008	19.999
\$450,000 - \$499,999	28,936	5.745	60.250	13,736,960,896	3.670	23.669
\$500,000 - \$549,999	28,655	5.689	65.939	15,034,447,505	4.016	27.685
\$550,000 - \$599,999	26,816	5.324	71.263	15,404,531,648	4.115	31.800
\$600,000 - \$649,999	19,684	3.908	75.170	12,290,709,284	3.283	35.084
\$650,000 - \$699,999	15,329	3.043	78.214	10,331,929,948	2.760	37.844
\$700,000 - \$749,999	12,841	2.549	80.763	9,299,593,451	2.484	40.328
\$750,000 - \$799,999	11,916	2.366	83.129	9,222,161,796	2.464	42.792
\$800,000 - \$849,999	10,053	1.996	85.125	8,285,370,957	2.213	45.005
\$850,000 - \$899,999	8,677	1.723	86.847	7,582,561,313	2.026	47.031
\$900,000 - \$949,999	7,389	1.467	88.314	6,826,926,159	1.824	48.854
\$950,000 - \$999,999	6,354	1.261	89.576	6,191,038,962	1.654	50.508
\$1,000,000 and greater	<u>52,508</u>	<u>10.424</u>	100.000	<u>185,264,501,480</u>	<u>49.492</u>	100.000
Total	503,701	100.000%		\$374,334,075,716	100.000%	

⁽¹⁾ Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

The table below provides a summary of building permits issued by the City by calendar year.

Table 61
CITY OF LOS ANGELES
RESIDENTIAL BUILDING PERMIT VALUATIONS AND NEW UNITS

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Valuation ⁽¹⁾	\$6,822	\$7,924	\$8,654	\$8,520	\$6,285
Residential ⁽²⁾	3,359	3,522	3,940	3,437	2,930
Non-Residential ⁽³⁾	729	1,197	1,256	1,091	1,187
Miscellaneous Residential ⁽⁴⁾	25	134	180	173	129
Miscellaneous Non-Residential ⁽⁵⁾	56	87	40	146	46
Number of Residential Units:					
Single family ⁽⁶⁾	2,393	3,148	3,598	3,739	2,685
Multi-family ⁽⁷⁾	<u>11,495</u>	<u>10,984</u>	<u>12,659</u>	<u>10,693</u>	<u>9,171</u>
Subtotal Residential Units	13,888	14,132	16,257	14,432	11,856
Number of Non-Residential Units ⁽⁸⁾	97	630	12	1	0
Miscellaneous Residential Units ⁽⁹⁾	672	4,701	4,614	5,014	3,017
Miscellaneous Non-Residential Units ⁽¹⁰⁾	1,036	100	493	475	257
Total Units	15,693	19,563	21,376	19,922	15,130

⁽¹⁾ In millions of dollars. "Valuation" represents the total valuation of all construction work for which the building permit is issued.
⁽²⁾ Valuation of permits issued for Single-Family Dwellings, Duplexes, Apartment Buildings, Hotel/Motels, and Condominiums.
⁽³⁾ Valuation of permits issued for Special Permits, Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures, Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence, Foundation Only, Grade – Non-Hillside, Certificates of Occupancy – Use of Land, Grading – Hillside.
⁽⁴⁾ Valuation of permits issued for "Additions Creating New Units – Residential" and "Alterations Creating New Units – Residential."
⁽⁵⁾ Valuation of permits issued for "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."
⁽⁶⁾ Number of dwelling units permitted for Single-Family Dwellings and Duplexes.
⁽⁷⁾ Number of dwelling units permitted for new Apartment Buildings, Hotel/Motels, and Condominiums.
⁽⁸⁾ Number of dwelling units permitted for Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence.
⁽⁹⁾ Number of dwelling units added includes "Addition Creating New Units – Residential" and "Alterations Creating New Units – Residential."
⁽¹⁰⁾ Number of dwelling units added includes "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."

Source: City of Los Angeles, Department of Building and Safety.

Education

The Los Angeles Unified School District ("LAUSD"), a separate government agency and one of the largest employers in the City, administers public instruction for kindergarten through 12th grade ("K-12"), adult, and occupational schools in the City and all or significant portions of a number of smaller neighboring cities and unincorporated areas. The LAUSD, which now encompasses approximately 710 square miles (making it significantly larger than the City at 470 square miles), was formed in 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960. The LAUSD is governed by a seven-member Board of Education, elected by the district to serve alternating four-year terms. There are also a number of charter and private K-12 schools located in the City.

There are many public and private colleges and universities located in the City. Major colleges and universities located within the City include the University of California at Los Angeles, the University of Southern California, California State University at Los Angeles, California State University at Northridge, Occidental College and Loyola Marymount University. There are seven community colleges located within the City operated by the Los Angeles Community College District.

APPENDIX B

SUMMARY OF LEGAL DOCUMENTS

APPENDIX C

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

Upon the delivery of the Bonds, Nixon Peabody LLP, Bond Counsel, proposes to deliver its approving opinions in substantially the following form:

December __, 2021

Municipal Improvement Corporation of Los Angeles
Los Angeles, California

City of Los Angeles
Los Angeles, California

Re: \$ _____ Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds,
Series 2021-C (Capital Equipment and Real Property)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Municipal Improvement Corporation of Los Angeles (the "Corporation") of \$ _____ aggregate principal amount of its Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) (the "Bonds"). The Bonds are authorized under the Articles of Incorporation of the Corporation and the laws of the State of California. The Bonds are being issued pursuant to an Indenture, dated as of December 1, 2021 (the "Indenture"), by and among the Corporation, the City of Los Angeles, California (the "City") and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

As bond counsel, we have examined the Indenture, the Site Lease, dated as of December 1, 2021 (the "Site Lease"), by and between the Corporation and the City, the Lease Agreement, dated as of December 1, 2021 (the "Lease Agreement"), by and between the Corporation and the City, the Assignment Agreement, dated as of December 1, 2021 (the "Assignment Agreement"), by and between the Corporation and the Trustee, and the Tax Certificate of the Corporation and the City, dated the date hereof (the "Tax Certificate"). In addition, we have relied upon and examined the opinions of counsel to the Corporation, the City and the Trustee, certificates of the Corporation, the City, the Trustee and others, copies, certified to us as being true and complete, of the proceedings of the City and of the Corporation for the authorization and issuance of the Bonds, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein, although in doing so, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all signatures thereto. We express no opinion as to any provision in the Indenture, the Site Lease, the Lease Agreement or the Assignment Agreement with respect to the priority of any pledge or security interest, indemnification, or governing law. We advise you that we have not made or undertaken to make any investigation of the state of title to any of the real property or ownership of any personal property described in the Site Lease or the Lease Agreement, or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of such questions of law as we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Bonds constitute the valid and binding limited obligations of the Corporation.
2. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the Corporation and the City. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Assignment Agreement has been duly authorized, executed and delivered by the Corporation and creates a valid assignment to the Trustee of certain rights of the Corporation in the Site Lease and the Lease Agreement, including the right to receive the Basic Lease Payments from the City to the extent and as more particularly described therein.
4. The Site Lease and the Lease Agreement have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Corporation and the City. The obligation of the City to make the Basic Lease Payments during the terms of the Lease Agreement constitute a valid and binding obligation of the City, payable from funds of the City lawfully available therefor.
5. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indenture and the Tax Certificate, the City and the Corporation have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the City and the Corporation have made certain additional covenants, representations and certifications in the Indenture and the Tax Certificate. We have not independently verified compliance with such covenants or the accuracy of those representations and certifications.

Under existing law, assuming compliance with the above-mentioned tax covenants and the accuracy of the above-mentioned representations and certifications, we are of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

6. We are further of the opinion that the interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The opinions set forth in paragraphs 1, 2 and 3 above assume that the Trustee has duly authenticated the Bonds and that the Indenture and the Assignment Agreement are the legally valid, binding and enforceable agreements of the Trustee. In addition, the enforceability of the agreements, covenants and obligations described in paragraphs 1, 2, 3 and 4 above may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws). In addition, the enforceability of such agreements, covenants and obligations is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or

at law, the limitations on legal remedies against government entities in the State of California, and to the application of laws of the State of California relating to conflicts of interest to which government entities are subject. We express no opinion regarding the availability of equitable remedies.

The Bonds are not a lien or charge upon the funds or property of the Corporation except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing powers of the City, the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

Except as stated in paragraphs 5, and 6 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

In rendering the opinions set forth in paragraphs 5 and 6 above, we are relying upon representations and covenants of the City and the Corporation in the Tax Certificate concerning the investment and use of Bonds proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities financed and refinanced with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the City and the Corporation will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Series 2021-C Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the City or Corporation fails to comply with such covenants, unless such failure to comply is based on our advice or opinion.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement, dated November __, 2021, or other offering material. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters. We assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.

We call attention to the fact that the opinions expressed herein and the exclusion of interest due on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX D

DTC AND THE BOOK-ENTRY ONLY SYSTEM

None of the City, the Corporation, the Trustee or the Underwriters can or do give any assurances that DTC, the Participants or others will distribute payments of principal of or interest on the Bonds paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the City, the Trustee or the Underwriters is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

The following information concerning The Depository Trust Company (“DTC”) and DTC’s book-entry system has been obtained from sources that the City, the Corporation and the Underwriters believe to be reliable, but neither the City, the Corporation nor the Underwriters take responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Official Statement and in APPENDIX B – “SUMMARY OF LEGAL DOCUMENTS.”

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 DTC’s Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by reference.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as

periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Bonds 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 the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation, as the issuer of the bonds, as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, 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, the Trustee, or the City, 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 the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

10. The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond 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 the City and the Corporation believe to be reliable, but neither the City nor the Corporation take any responsibility for the accuracy thereof.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City, the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

Risks Regarding the Book-Entry Only System

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTEXT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE. Each person for whom a Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such person, forwarded in writing by such Participant and to receive notification of all interest payments.

NONE OF THE CITY, THE CORPORATION, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE PAYMENTS TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, THE SELECTION OF THE BENEFICIAL INTERESTS IN THE BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL BONDS OF A PARTICULAR MATURITY OR THE PROVISION OF NOTICE TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE BONDS. NO ASSURANCE CAN BE GIVEN BY THE CITY, THE CORPORATION, THE TRUSTEE OR THE UNDERWRITERS THAT DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHER NOMINEES OF THE BENEFICIAL OWNERS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO THE BENEFICIAL OWNERS, THAT THEY WILL DISTRIBUTE NOTICES, INCLUDING REDEMPTION NOTICES (REFERRED TO ABOVE), RECEIVED AS THE REGISTERED OWNER OF THE BONDS TO THE BENEFICIAL OWNERS, THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

If the City and the Corporation determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the Bonds, and the Corporation does not select another

qualified securities depository, the Corporation shall deliver one or more Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfer and exchanges of Bonds will be governed by the provisions of the Indenture.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Los Angeles, California (the “City”) in connection with the issuance on behalf of the City by the Municipal Improvement Corporation of Los Angeles (the “Corporation”) of its \$_____ Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) (the “Bonds”). The Bonds are issued pursuant to that certain Indenture dated as of December 1, 2021 (the “Indenture”), by and among the Corporation, the City and U.S. Bank National Association, as trustee (the “Trustee”). The City covenants and agrees as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the City in its capacity as an “obligated person” under the Rule (as defined herein) for the benefit of the Bondholders and Beneficial Owners and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. DEFINITIONS. In addition to the definitions set forth above and in the Indenture, which shall apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean each of the City Administrative Officer of the City or any other person authorized to act on his or her behalf, acting in the capacity of Dissemination Agent, 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” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement dated November __, 2021 delivered by the City in connection with the sale of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) site.

“Rule” shall mean Rule 15c2-12 adopted by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. PROVISION OF ANNUAL REPORTS. (a) The City shall cause the Dissemination Agent to provide, not later than June 30 of each year, commencing on June 30, 2022, with respect to Fiscal Year 2020-21, to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate and in such form required by the Repository. If the Dissemination Agent is other than the City or the City Administrative Officer, not later than fifteen (15) days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City).

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the City's audited financial statements may be submitted separately from the balance of the Annual Report and not later than the date required above for the filing of the Annual Report if they are not available by that date.

The City shall submit unaudited financial statements not later than the date required above for the filing of the Annual Report if the audited financial statements are 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).

(b) If the City is unable to provide to the Repository an Annual Report by the date required and in the manner required in subsection (a) above, the City shall send a notice to the Repository in a form prescribed by the Repository.

(c) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of the Repository; 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, stating the date it was provided and the Repository to which it was provided.

SECTION 4. CONTENT OF ANNUAL REPORTS. The City's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City for the prior fiscal year, 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 time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update to the following Sections in Appendix A to the Official Statement: "BUDGET AND REVENUES," "MAJOR GENERAL FUND REVENUE SOURCES," "FINANCIAL OPERATIONS," "BONDED AND OTHER INDEBTEDNESS" and "LITIGATION."

The City need not update any particular table or chart included in such Sections so long as (i) the City provides updated information generally of the type previously included in such table or chart, or (ii) such table or chart constitutes information not deemed to be operating data under the Rule.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the Repository. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

SECTION 5. REPORTING OF SIGNIFICANT EVENTS. (a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following 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 the 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 Bond holders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership, or similar event of the City; provided that for the purposes of the event identified in this Subsection 12, the event 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 U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government 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;
13. 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 a trustee, if material;

15. incurrence of a financial obligation, as defined in the Rule, 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; and

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, but, in the case of a Listed Event described in Subsection 2, 7, 8 (but only with respect to bond calls), 10, 13 and 14 of Section 5(a), only in the event the City determines that the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall file or cause to be filed a notice of such occurrence with the Repository through its EMMA system, in an electronic format as prescribed by the Repository, in a timely manner but not in excess of 10 business days after the occurrence of such Listed Event.

(c) If the Dissemination Agent is other than the City, the Dissemination Agent shall, as soon as reasonably practicable after obtaining actual knowledge of the occurrence of any of the Listed Events contact the City and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Subsections (a) and (b) and promptly direct the Dissemination Agent whether or not to report such event to the owners of the Bonds. In the absence of such direction, the Dissemination Agent shall not report such event unless required to be reported by the Dissemination Agent to the owners of the Bonds under the Indenture. The Dissemination Agent may conclusively rely upon such direction or lack thereof. For purposes of this Disclosure Certificate, actual knowledge of the occurrence of such Listed Events shall mean actual knowledge by the Dissemination Agent. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events. Notwithstanding the foregoing, notice of any Listed Event shall be filed with the Repository through its EMMA system, in an electronic format as prescribed by the Repository, in a timely manner but not in excess of 10 business days after the occurrence of such Listed Event.

SECTION 6. 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) hereof.

SECTION 7. DISSEMINATION AGENT. The City may, from time to time, appoint or engage a Dissemination Agent other than the original Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

SECTION 8. 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 arise from a change in legal requirements, change in law, or change in identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the principles, or the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to a change in the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. 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 10. DEFAULT. In the event of a failure by the City to comply with any provision of this Disclosure Certificate any Bondholders or Beneficial Owners of 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 11. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. 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 obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. BENEFICIARIES. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters, Bondholders and Beneficial Owners from time of the Bonds, and shall create no rights in any other person or entity.

Date: December __, 2021

CITY OF LOS ANGELES, CALIFORNIA

By: _____
Assistant City Administrative Officer

Exhibit B – Indenture

INDENTURE

by and among the

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES

and the

CITY OF LOS ANGELES

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of December 1, 2021

[\$_____]

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
LEASE REVENUE BONDS, SERIES 2021-C
(CAPITAL EQUIPMENT AND REAL PROPERTY)

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INDENTURE

THIS INDENTURE, dated as of December 1, 2021 (the “**Indenture**”), by and among the MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the “**Corporation**”), the CITY OF LOS ANGELES, a charter city and municipal corporation duly organized and existing under the constitution and laws of the state (the “**City**”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association existing under and by virtue of the laws of the United States of America, as trustee (the “**Trustee**”);

WITNESSETH:

WHEREAS, the Corporation has previously financed and refinanced the acquisition of various items of capital equipment and the acquisition, construction and improvement of certain real property through the issuance of the Corporation’s commercial paper (the “**Commercial Paper**”), which the City and the Corporation wish to refinance;

WHEREAS, the City and the Corporation wish to refinance a portion of the outstanding Commercial Paper (the portion so retired herein referred to as the “**Retired Commercial Paper**”) through the issuance of the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) (the “**Series 2021-C Bonds**”) by the Corporation; and

WHEREAS, concurrently with the execution hereof and in connection with the issuance of the Series 2021-C Bonds, the City and the Corporation are entering into a Site Lease (the “**Site Lease**”), between the City, as lessor, and the Corporation, as lessee, pursuant to which the City is leasing certain real property (the “**Real Property**”) to the Corporation;

WHEREAS, concurrently with the execution hereof and in connection with the issuance of the Series 2021-C Bonds, the City and the Corporation are entering into a Lease Agreement (the “**Lease Agreement**”), between the Corporation, as lessor, and the City, as lessee, pursuant to which the Corporation is subleasing the Real Property back to the City and leasing certain capital equipment to the City (the “**Capital Equipment**”), the City’s Basic Lease Payments for which will be sufficient to pay principal of and interest on the Series 2021-C Bonds; and

WHEREAS, Sections 5450 *et seq.* of the California Government Code (the “**Government Code**”) provide statutory authority for pledging collateral for the payment of the principal or redemption price of, and interest on, bonds and other forms of indebtedness and agreements and the Government Code creates a continuing perfected security interest which shall attach immediately to such collateral irrespective of whether the parties to the pledge documents have notice of the pledge and without the need for any physical delivery, recordation, filing, or further act, and the Corporation hereby warrants and represents that pursuant to the Lease Agreement, the Assignment Agreement (each as hereinafter defined) and this Indenture, the Owners of the Bonds have a first priority perfected security interest in the Basic Lease Payments (as hereinafter defined) that serve as the collateral for the Bonds pursuant to the Government Code; and

WHEREAS, the City and the Corporation have determined that it is in the public interest, convenience and welfare and for the common benefit of the inhabitants of the City that the Corporation issue the Series 2021-C Bonds for the purposes stated herein; and

WHEREAS, the Corporation has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Corporation, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the Corporation, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, premium, if any, and interest on all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Corporation does hereby covenant and agree with the Trustee, for the benefit of the respective owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any Supplemental Indenture and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified. Capitalized undefined terms used herein shall, unless the context otherwise requires, have the meanings ascribed thereto in the Lease Agreement:

“Additional Bonds” means all lease revenue bonds or lease revenue refunding bonds of the Corporation authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with Article III.

“Annual Debt Service” means, for any Fiscal Year with respect to any or all Series of Bonds, the sum of (1) the interest payable on all Outstanding Bonds of such Series in such Fiscal Year, assuming that all Outstanding Serial Bonds of such Series are retired as scheduled, and (2) the principal amount of all Outstanding Serial Bonds of such Series, if any, maturing by their terms in such Fiscal Year.

“Assignment Agreement” means the Assignment Agreement, dated as of December 1, 2021, by and between the Corporation and the Trustee whereby the Corporation assigns to the Trustee for the benefit of the Bond Owners (as defined in the Lease Agreement) certain of the Corporation’s right, title and interest in and to the Site Lease and the Lease Agreement, including the right to receive Basic Lease Payments.

“Authorized Denominations” means, with respect to the Series 2021-C Bonds, \$5,000 and any integral multiple thereof.

“Basic Lease Payments” means all amounts payable by the City as the Basic Lease Payments pursuant to Section 3.4 of the Lease Agreement.

“Beneficial Owner” means any person who has the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Board Member” means any member of the Corporation’s board of directors.

“Bond Counsel” means Nixon Peabody LLP or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to: (i) the tax status under federal laws and regulations of interest on obligations issued by or executed on behalf of states and their political subdivisions, as designated by the City and/or (ii) municipal obligations.

“Bond Fund” means the Bond Fund established pursuant to Section 4.01 hereof.

“Bonds” means the Series 2021-C Bonds and all Additional Bonds.

“Business Day” or *“business day”* means a day of the year which is not a Saturday or Sunday, or a day on which banking institutions located in California or New York are required or authorized to remain closed, or on which the New York Stock Exchange is closed.

“Capital Equipment” means that certain capital equipment listed on Exhibit B to the Lease Agreement, as such Exhibit B may be amended or supplemented from time to time in accordance with the terms of the Lease Agreement.

“Certificate of the City” means an instrument in writing signed by a City Representative.

“Certificate of the Corporation” means an instrument in writing signed by a Corporation Representative.

“City” means the City of Los Angeles, a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State.

“City Representative” means the City Administrative Officer, any Assistant City Administrative Officer, the City Controller, the Chief Deputy City Controller, the City Treasurer, any Deputy City Treasurer, or such other employee of the City as the City Administrative Officer or the City Controller or the City Treasurer shall designate in writing, acting on behalf of the City with respect to this Indenture and the Lease Agreement.

“Closing Date” means [December ____], 2021, the date on which the Series 2021-C Bonds are initially issued.

“Code” means the Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed regulations) promulgated thereunder.

“Commercial Paper” means the Municipal Improvement Corporation of Los Angeles Lease Revenue Commercial Paper Notes issued by the Corporation.

“Commercial Paper Issuing and Paying Agent” means U.S. Bank National Association, as Issuing and Paying Agent under the Fourth Amended and Restated Issuing and Paying Agent Agreement among said Issuing and Paying Agent, the Corporation and the City, in connection with the Commercial Paper.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated as of [December __], 2021 executed and delivered by the City in connection with the issuance of the Series 2021-C Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Corporate Trust Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California or such other or additional offices as may be specified to the Corporation by the Trustee in writing, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted or such other address as may be specified in writing by the Trustee.

“Corporation” means the Municipal Improvement Corporation of Los Angeles, a nonprofit public benefit corporation duly organized and existing under the Nonprofit Public Benefit Corporation Law of the State, or any successor entity.

“Corporation Representative” means the President, Vice President, Secretary, Treasurer or any Assistant Secretary or Assistant Treasurer of the Corporation, or any other person authorized by resolution of the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to the Lease Agreement or this Indenture.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City or the Corporation relating to the issuance, sale and delivery of the Bonds and the execution and delivery of this Indenture, the Site Lease, the Lease Agreement and the Assignment Agreement, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, initial insurance premiums, fees related to The Depository Trust Company, accounting fees, title insurance, fees for execution, transportation and safekeeping of the Bonds and any other charges and fees in connection or associated with the foregoing.

“Costs of Issuance Fund” means the Series 2021-C Costs of Issuance Fund.

“Defeasance Securities” means (a) Federal Securities which are not callable for redemption prior to their maturity by any person other than the owner thereof and (b) other Permitted Investments (i) which either are not callable for redemption prior to their maturities by any person other than the owner thereof or for which an option to redeem prior to maturity has previously been irrevocably exercised (or an irrevocable covenant to exercise such option has previously been made by the person entitled to exercise such option) and the redemption date of

such securities has thereby been irrevocably fixed prior to the use of any such securities as Defeasance Securities, and (ii) which at the time of their initial use as Defeasance Securities are rated in the highest two generic rating categories by S&P or Moody's.

“Event of Default” shall have the meaning contained in Section 9.01 hereof.

“Federal Securities” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are unconditionally pledged for the payment of interest and principal (including U.S. Treasury Securities — State and Local Government Series (SLGS)), or securities evidencing direct ownership interests in such obligations or in specified portions of the interest on or principal of such obligations that are held by a custodian in safekeeping on behalf of the owners of such securities, as well as pre-refunded municipal bonds rated Aaa/AAA by Moody's and S&P.

“Financial Newspaper” means *The Wall Street Journal* or *The Bond Buyer* or any other newspaper or journal printed in the English language publishing financial news and selected by the City, whose decision shall be final and conclusive.

“Fiscal Year” means each annual fiscal period of the Corporation which, as of the date hereof, is the period from July 1 through the following June 30.

“Indenture” means this Indenture, dated as of December 1, 2021, among the Corporation, the City and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions hereof.

“Insurance Proceeds and Condemnation Awards Fund” means the fund of that name established pursuant to Section 6.07 hereof.

“Interest Payment Date” means each May 1 and November 1 commencing November 1, 2022.

[*“Kroll”* means Kroll Bond Rating Agency, or any successor credit rating agency selected by the Corporation.]

“Lease Agreement” means that certain Lease Agreement, dated as of December 1, 2021, between the City and the Corporation, under which the Corporation subleases the Real Property and leases the Capital Equipment to the City, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

“Lease Payment Date” means the fifteenth day of April and October in each year during the Term of the Lease Agreement, commencing October 15, 2022, except that if the Corporate Trust Office of the Trustee is not open for business on any such date, then that Lease Payment Date shall be the next day on which such office is open for business.

“Lease Payments” means the Basic Lease Payments and the Additional Payments payable by the City pursuant to the Lease Agreement.

[“*Moody’s*” means Moody’s Investors Service, Inc., or any successor credit rating agency selected by the Corporation.]

“*MSRB*” means the Municipal Securities Rulemaking Board. Unless otherwise designated by the MSRB, filings are to be made through the Electronic Municipal Market Access website of the MSRB.

“*Net Proceeds*” means, collectively, the net proceeds of any insurance, condemnation or eminent domain award resulting from any damage or destruction of any portion of the Property payable in accordance with the Lease Agreement.

“*Nominee*” shall have the meaning contained in Section 2.12 hereof.

“*Opinion of Counsel*” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Corporation or the City.

“*Outstanding*,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.02) all Bonds theretofore or thereupon executed by the Corporation and authenticated and delivered by the Trustee pursuant hereto including, but not limited to, Series 2021-C Bonds, except:

- (i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (ii) Bonds paid or deemed to have been paid within the meaning of Section 10.01 hereof; and
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the Corporation and authenticated and delivered pursuant hereto.

“*Owner*” means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books required to be maintained by the Trustee pursuant to Section 2.08 hereof.

“*Participant*” shall have the meaning contained in Section 2.12 hereof.

“*Permitted Investments*” means any of the following to the extent then permitted by law and Section 5.04:

1. (a) Cash (insured to the maximum amount available by the Federal Deposit Insurance Corporation), (b) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“*U.S. Treasury Obligations*”), (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (d) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner

of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated).

2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - (a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).
 - (b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes.
 - (c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations.
 - (d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).
4. Unsecured certificates of deposit, time deposits, money market accounts and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" by Moody's.
5. Deposits the aggregate amount of which are insured to the maximum amount available by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least \$15 million.
6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.
7. Money market funds rated "AAm" or "AAm-G" or better by S&P and if rated by Moody's rated "Aa-mf" or better including, without limitation, any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.
8. "State Obligations," which means:
 - (a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at

least “A3” by Moody’s and at least “A-” by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

- (b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated “A-1+” by S&P and “MIG-1” by Moody’s.
- (c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated “AA-” or better by S&P and “Aa3” or better by Moody’s.

9. Pre-refunded municipal obligations rated in the highest two generic rating categories by S&P or Moody's and meeting the following requirements:

- (a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
- (b) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
- (c) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“*Verification Report*”);
- (d) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
- (e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and
- (f) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A-” by S&P and “A3” by Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has long-term debt rated at least “A-” by S&P and “A3” by Moody’s, which broker-dealer falls under the jurisdiction of the

Securities Investors Protection Corporation; or (3) any other entity rated at least “A-” by S&P and “A3” Moody’s (for the purpose of this definition, each an “*Eligible Provider*”), *provided that*:

- (a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA’s and 104% of the total principal when the collateral type is FNMA and FHLMC (for the purpose of this definition, “*Eligible Collateral*”);
- (b) the Trustee or a third party acting solely as agent therefor or for the Corporation (the “*Custodian*”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books) and such collateral shall be marked to market;
- (c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee and the Corporation setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;
- (d) the repurchase agreement shall state and an Opinion of Counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;
- (e) the repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must notify the Corporation and the Trustee within five days of receipt of such notice. Within ten days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to the Corporation, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten Business Days, the provider shall, at the direction of the Trustee (who shall give such direction if so directed by the Corporation) repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Corporation or the Trustee.

11. Investment agreements: with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA-” by S&P and “Aa3” by Moody’s (for the purpose of this definition, each an “*Eligible Provider*”); *provided that*:

- (a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;
- (b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Corporation and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
- (c) the provider shall send monthly reports to the Trustee and the Corporation setting forth the balance the Corporation or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;
- (d) the investment agreement shall state that it is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- (e) the Corporation and the Trustee shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;
- (f) the Corporation and the Trustee shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;
- (g) the investment agreement shall provide that if during its term:
 - (1) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten days of receipt of publication of such downgrade, either (i) provide a written guarantee acceptable to the Corporation, (ii) post Eligible Collateral with the Corporation, the Trustee or a third party acting solely as agent therefor (the "*Custodian*") free and clear of any third party liens or claims, or (iii) assign the agreement to an Eligible Provider, or (iv) repay the principal of and accrued but unpaid interest on the investment;

- (2) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3" respectively, the provider must, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Corporation), within ten days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Corporation or Trustee.
- (h) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC (for the purpose of this definition, "*Eligible Collateral*"). In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee and the Corporation setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;
- (i) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;
- (j) the investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Corporation), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Corporation or Trustee, as appropriate, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Corporation or Trustee, as appropriate.

Maturity of investments shall be governed by the following:

- (a) Investments of monies (other than reserve funds) shall be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments.

- (b) Investments shall be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee may require their repurchase pursuant to repurchase agreements.
- (c) Investment of monies in reserve funds not payable upon demand shall be restricted to maturities of five years or less.

“Property” means, collectively, the Capital Equipment and the Real Property.

“Rating Agencies” means [Kroll or S&P], or in the event that [Kroll or S&P] no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as [Kroll or S&P] or another nationally recognized rating agency then maintains a rating on the Bonds.

“Real Property” has the meaning ascribed thereto in the Lease Agreement.

“Rebate Fund” means the fund by that name established pursuant to Section 4.01 hereof.

“Record Date” means the 15th day of the month immediately preceding an Interest Payment Date, whether or not such day is a Business Day.

“Representation Letter” means the Blanket Letter of Representations delivered to DTC by the Corporation.

“Revenues” means all Basic Lease Payments made pursuant to the Lease Agreement and interest or profits from the investment of money in any fund, account or subaccount (other than the Rebate Fund) pursuant to Section 5.04.

[*“S&P”* means Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc., or any successor credit rating agency selected by the Corporation.]

“Securities Depositories” means: The Depository Trust Company, 55 Water Street, New York, New York 10041-0099; or such other address and/or such other securities depository as the Corporation may designate in writing to the Trustee.

“Serial Bonds” means Bonds for which no sinking fund payments are provided.

“Series” means a series of Bonds issued hereunder including, without limitation, the Series 2021-C Bonds and any series of Additional Bonds.

“Series 2021-C Bonds” means the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) authorized and at any time Outstanding pursuant hereto and issued, executed and delivered in accordance with Article II and payable from Basic Lease Payments made by the City pursuant to the Lease Agreement.

“Series 2021-C Costs of Issuance Fund” means the fund by that name established pursuant to Section 4.01 hereof.

“Series 2021-C Interest Account” means the account by that name established pursuant to Section 5.03 hereof in the Bond Fund.

“Series 2021-C Principal Account” means the account by that name established pursuant to Section 5.03 hereof in the Bond Fund.

“Series 2021-C Redemption Account” means the account by that name established pursuant to Section 5.03 hereof in the Bond Fund.

“Site Lease” means the Site Lease, dated as of December 1, 2021, between the City and the Corporation under which the City leases the Real Property to the Corporation.

“State” means the State of California.

“Supplemental Indenture” means any indenture then in full force and effect which has been duly executed and delivered by the Corporation, the City and the Trustee amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Certificate” means, the tax compliance certificate executed by the City and the Corporation at the time of the issuance and delivery of the Series 2021-C Bonds, as the same may be amended or supplemented in accordance with its terms.

“Term Bonds” means Additional Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Trustee” means U.S. Bank National Association, a national banking association existing under and by virtue of the laws of the United States of America, or any other association or corporation which may at any time be substituted in its place as provided in Section 7.02.

“Written Request of the City” means a request in writing signed by a City Representative.

“Written Request of the Corporation” means a request in writing signed by a Corporation Representative.

Section 1.02 Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the City, the Corporation and the Trustee for the benefit of the Owners from time to time of all Bonds authorized, issued, executed and delivered hereunder and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premium, if any, with respect to all Bonds which may from time to time be authorized, issued, executed and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the City or the Corporation shall be for the equal and proportionate benefit, protection and security of all Owners

of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, issuance, execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

ISSUANCE OF SERIES 2021-C BONDS; REGISTRATION AND TRANSFER OF BONDS

Section 2.01 Authorization and Purpose of Series 2021-C Bonds. The Corporation has reviewed all proceedings heretofore taken relative to the authorization of the Series 2021-C Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Series 2021-C Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Corporation is now duly authorized to issue the Series 2021-C Bonds in the form and manner provided herein for the purpose of providing funds to refinance the Refunded Bonds, and that the Series 2021-C Bonds shall be entitled to the benefit, protection and security of the provisions hereof. The procedure for issuance of the Series 2021-C Bonds is set forth in Section 4.02.

Section 2.02 Terms of the Series 2021-C Bonds. (a) The Series 2021-C Bonds shall be designated “Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property)” and shall be issued in the aggregate principal amount of [] Dollars ([\$]). The Series 2021-C Bonds shall be dated the Closing Date, shall be issued in book-entry form in Authorized Denominations (not exceeding the principal amount of Series 2021-C Bonds of any Series maturing at any one time), and shall mature on the dates and in the principal amounts and shall bear interest at the rates as set forth in the following schedule:

MATURITY DATE
(NOVEMBER 1)

PRINCIPAL
AMOUNT
\$

INTEREST RATE
%

(b) The principal of the Series 2021-C Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee upon presentation and surrender of such Series 2021-C Bonds.

(c) The Series 2021-C Bonds shall bear interest at the rates set forth above, payable on the Interest Payment Dates in each year, commencing on November 1, 2022. Each Series 2021-C Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period commencing after a Record Date through and including the next succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is prior to the first Record Date, in which event it shall bear interest from the Closing Date.

(d) Payment of interest on the Series 2021-C Bonds due on or before the maturity or prior redemption thereof shall be made to the person in whose name such Series 2021-C Bonds are registered, as of the Record Date immediately preceding the applicable Interest Payment Date, on the registration books kept by the Trustee pursuant to Section 2.08, such interest to be paid by check mailed by first class mail on such Interest Payment Date to such Owner at its address as it appears on such books as of the Record Date; *provided, however*, that upon the written request of an Owner of \$1,000,000 or more in aggregate principal amount of the Series 2021-C Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner.

(e) Interest on the Series 2021-C Bonds shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(f) The Series 2021-C Bonds shall be initially registered in the name of “Cede & Co.,” as Nominee of DTC (as defined in Section 2.12 hereof), shall be in book-entry form, and shall be evidenced by one bond for each maturity bearing a specified interest rate (each, a “*maturity*”) of each Series of the Series 2021-C Bonds in the principal amount of the respective maturities of the Series 2021-C Bonds.

Section 2.03 Redemption of Bonds.

(a) ***Extraordinary Mandatory Redemption.*** The Series 2021-C Bonds are subject to redemption prior to their respective maturity dates, in Authorized Denominations, upon

notice as hereinafter provided, on any date, in whole or in part, from Net Proceeds as provided in Section 6.07 hereof and Section 5.2 of the Lease Agreement, at a redemption price equal to the principal amount thereof together with accrued interest to the date of redemption, without premium. The redemption date shall be a date, selected by the City on behalf of the Corporation, no later than 75 days after receipt of the Written Request of the City delivered to the Trustee pursuant to Section 6.07(c). Notwithstanding the foregoing, the Net Proceeds arising from the damage, destruction, taking or other loss of or to the Capital Equipment or the Real Property may be invested in a yield restricted account pursuant to the Tax Certificate and applied to the pro rata payment of principal of the Series 2021-C Bonds, or such other selection of Bonds approved in an Opinion of Counsel, so long as the Bonds are Outstanding.

If less than all Outstanding Series 2021-C Bonds are to be redeemed pursuant to the preceding paragraph, the Trustee shall use the net insurance proceeds or condemnation awards attributable to the portion of the Capital Equipment or the Real Property destroyed, damaged, stolen or taken, to redeem Series 2021-C Bonds as directed in writing by the City. Subject to the foregoing, if less than all Outstanding Series 2021-C Bonds of a Series maturing by their terms on any one date are to be so redeemed at any one time, Bonds of such Series and maturity date to be redeemed shall be selected in accordance with paragraph (d) below. The redemption date shall be a date, selected by the City on behalf of the Corporation, no later than 75 days after receipt of the Written Request of the City delivered to the Trustee pursuant to this Indenture.

(b) ***Optional Redemption.***

The Series 2021-C Bonds maturing on or after November 1, 20[32] are subject to redemption, in whole or in part, of such maturities designated by the City, prior to their respective maturity dates, at the option of the Corporation (at the direction of the City), on any date on or after November 1, 20[31], at a redemption price equal to the principal amount of the Series 2021-C Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

(c) ***[Mandatory Sinking Fund Redemption.*** The Series 2021-C Bonds maturing on [November 1, 20__] are subject to mandatory redemption prior to their stated maturity, in part, from sinking account payments deposited in the Series 2021-C Bonds Redemption Account, on each November 1, commencing [November 1, 20__], at the principal amount thereof and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:]

Year (November 1)	Principal Amount
	\$

* Maturity

(d) ***Selection for Redemption.*** Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the City thereof to the extent Bonds are no longer held in book-entry form.

(e) ***Notice of Redemption.*** Notice of redemption shall be mailed by the Trustee, not less than 20 nor more than 60 days prior to the redemption date, to (i) the respective Owners of the Series 2021-C Bonds designated for redemption at their addresses appearing on the registration books of the Trustee by first class mail; (ii) the Securities Depositories (if any); and (iii) the MSRB. Each notice of redemption shall state the date of such notice, the redemption price, the name and appropriate address of the Trustee, the CUSIP number (if any) of the maturity or maturities within a Series, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2021-C Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal amount thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. The notice of redemption for any optional redemption pursuant to Section 2.03(b) hereof shall contain a statement to the effect that redemption of the Series 2021-C Bonds is conditioned upon the receipt by the Trustee of amounts equal to the redemption price of the Series 2021-C Bonds to be redeemed on or before the redemption date, and such optional redemption shall be so conditioned. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed thereon or on the Bonds. The Trustee may provide notices hereunder to the Securities Depositories and the MSRB electronically.

(f) If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2021-C Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice such Bonds shall become due and payable, and from and after the date so designated interest on the Series 2021-C Bonds so called for redemption shall cease to accrue, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

(g) Failure by the Trustee to give notice pursuant to this Section to any one or more of the Securities Depositories, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption. Failure to receive a notice of redemption or any defect in such notice shall not affect the sufficiency or validity of the proceedings for redemption.

(h) All Series 2021-C Bonds redeemed pursuant to the provisions of this Section shall be canceled by the Trustee and shall be delivered to, or upon the order of, the Corporation and shall not be reissued.

Section 2.04 Form of Series 2021-C Bonds. The form of the Series 2021-C Bonds, and the authentication and registration endorsement and assignment to appear thereon, shall be substantially in the form set forth on Exhibit A hereto.

Section 2.05 Execution of Bonds. (a) Any Board Member of the Corporation and the Assistant Secretary and Assistant Treasurer of the Corporation, each acting alone, is hereby authorized and directed to execute each of the Bonds on behalf of the Corporation. The signatures of such Board Member or Assistant Secretary and Assistant Treasurer may be by printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the Bonds shall cease to be such officer before the delivery of the Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Bonds.

(b) Only those Bonds bearing thereon a certificate of authentication and registration in substantially the form set forth in *Exhibit A* hereto, as applicable, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated and registered have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

Section 2.06 Transfer and Payment of Bonds. (a) Any Bond may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender, at the Corporate Trust Office of the Trustee, of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer substantially in the form set forth in *Exhibit A* hereto, as applicable. Whenever any Bond or Bonds shall be surrendered for transfer, the Corporation shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of a like aggregate principal amount. The Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the City.

(b) The Corporation and the Trustee may deem and treat the Owner of any Bond as the absolute owner of such Bond for the purpose of receiving payment thereof and for all other purposes, whether such Bond shall be overdue or not, and neither the Corporation nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability on such Bond to the extent of the sum or sums so paid.

(c) The Trustee shall not be required to register the transfer of any Bond (i) during the period commencing on the day which is five Business Days before the date on which Bonds are to be selected for redemption and ending on such date of selection, or (ii) which has been selected for redemption in whole or in part.

Section 2.07 Exchange of Bonds. (a) Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of the same Series and maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The cost of printing

Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the City.

(b) The Trustee shall not be required to register the exchange of any Bond (i) during any period commencing on the day which is five Business Days before the date on which Bonds are to be selected for redemption and ending on such date of selection, or (ii) which has been selected for redemption in whole or in part.

Section 2.08 Bond Registration Books. The Trustee will keep sufficient books for the registration and transfer of the Bonds which shall at all times be open to inspection by the Corporation during normal business hours with reasonable prior notice, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds in such books as hereinabove provided.

Section 2.09 Mutilated, Destroyed, Stolen or Lost Bonds. (a) If any Bond shall become mutilated, the Trustee, at the expense of the Owner thereof, shall thereupon authenticate and deliver a new Bond of like Series, maturity and Authorized Denomination in exchange and substitution for the Bond so mutilated, but only upon surrender, at the Corporate Trust Office of the Trustee, of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by the Trustee and delivered to, or upon the order of, the Corporation.

(b) If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner, shall thereupon authenticate and deliver a new Bond of like Series, maturity and Authorized Denomination in lieu of and in substitution for the Bond so lost, destroyed or stolen.

(c) The Trustee may require payment of a reasonable sum for each new Bond issued under this Section and of the expenses which may be incurred by the Corporation and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. Neither the Corporation nor the Trustee shall be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder; both the original and replacement Bond shall be treated as one and the same.

Section 2.10 Temporary Bonds. The Bonds issued under this Indenture may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Corporation, shall be in fully registered form and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed and authenticated in accordance with the terms hereof. If the Corporation issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, at the Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of Authorized Denominations. Until so exchanged, the

temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds delivered hereunder.

Section 2.11 Validity of Bonds. From and after the issuance of the Bonds, the findings and determinations of the Corporation respecting the Bonds shall be conclusive evidence of (i) the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the Bonds shall be required to see to the existence of any fact, or (ii) to the performance of any condition or to the taking of any proceeding required prior to such issuance, or (iii) to the application of the proceeds of sale of the Bonds. The validity of the issuance of the Bonds shall not be dependent on or affected in any way by the proceedings taken by the Corporation for the refinancing of the Refunded Bonds or by any contracts made by the Corporation or its agents in connection therewith. The recital contained in the Bonds that the same are issued pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all Bonds shall be incontestable from and after their issuance. The Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) shall have been delivered to the purchaser thereof and the proceeds of sale thereof received.

Section 2.12 Special Covenants as to Book-Entry Only Bonds. (a) Except as otherwise provided in subsections (b) and (c) of this Section 2.12 or as otherwise set forth in an amendment or supplement to this Indenture with respect to any Additional Bonds, all of the Bonds initially executed and delivered hereunder shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), or such other nominee as DTC shall request pursuant to the Representation Letter (the “Nominee”). Payment of the principal of and interest on each Bond registered in the name of Cede & Co. shall be made to the account, in the manner and at the address indicated in or pursuant to the Representation Letter delivered to DTC by the Corporation or the City.

(b) The Bonds executed and delivered pursuant to this Section 2.12 shall be in the form of a single authenticated fully registered bond for each maturity of each Series bearing a specified interest rate. The ownership of all such Bonds shall be registered in the registration books maintained by the Trustee pursuant to Section 2.08 in the name of Cede & Co., as Nominee of DTC, or such other Nominee as DTC may request. The Trustee, the Corporation and the City may treat DTC (or its Nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of and interest on such Bonds, selecting any Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to an Owner under the Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by the Owners and for all other purposes whatsoever; and none of the Trustee, the Corporation or the City shall be affected by any notice to the contrary. None of the Trustee, the Corporation or the City shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section 2.12, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being an Owner, with respect to (i) the accuracy of any records maintained by DTC or any Participant; (ii) the payment by DTC or any Participant of any amount in respect of the principal or interest represented by such Bonds; (iii) any notice which is permitted or required to be given to the

Owners under the Indenture; (iv) the selection by DTC or any Participant of any person to receive payment in the event, if any, of a partial redemption of the Bonds; or (v) any consent given or other action taken by DTC as Owner. The Trustee shall pay all principal of and premium, if any, and interest on the Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new Nominee in place of its then existing Nominee, the Bonds will be transferable to such new Nominee in accordance with subsection (f) of this Section 2.12.

(c) In the event that the Corporation determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain bonds, the Trustee shall, upon the written instruction of the Corporation, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of Bonds. In such event, the Bonds will be transferable in accordance with subsection (f) of this Section 2.12. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice of such discontinuance to the City, the Corporation and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Bonds will be transferable in accordance with subsection (f) of this Section 2.12. Whenever DTC requests the City, the Corporation or the Trustee to do so, the Trustee, the Corporation and the City will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all bonds evidencing the Bonds then-Outstanding. In such event, the Bonds will be transferable to such securities depository in accordance with subsection (f) of this Section 2.12, and thereafter, all reference in this Indenture to DTC or its Nominee shall be deemed to refer to such successor securities depository and its Nominee, as appropriate.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as all Bonds Outstanding are registered in the name of any Nominee of DTC, all payments with respect to the principal and interest represented by each such Bond and all notices with respect to each such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The Corporation shall execute and deliver the Representation Letter and, in connection with any successor Nominee for DTC and any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this Indenture.

(f) In the event that any transfer or exchange of Bonds is authorized under subsection (b) or (c) of this Section 2.12, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.06 and 2.07. In the event Bonds are issued to holders other than Cede & Co., its successor as Nominee for DTC as holder of all the Bonds, another securities depository as holder of all the Bonds, or the Nominee of such successor securities depository, the provisions of Sections 2.02, 2.03, 2.06 and 2.07 shall also apply to, among other things, the registration, exchange and transfer of the Bonds and the method of payment of principal of, premium, if any, and interest on the Bonds.

ARTICLE III

ISSUANCE OF ADDITIONAL BONDS

Section 3.01 Conditions for the Issuance of Additional Bonds. The Corporation may at any time issue Additional Bonds payable from the Revenues as provided herein and secured by a pledge of the Revenues as provided herein equal to the pledge securing the Outstanding Bonds theretofore issued hereunder, but only subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Additional Bonds:

(a) The Corporation shall be, as evidenced by a Certificate of the Corporation, in compliance with all agreements and covenants contained herein and no Event of Default shall have occurred and be continuing under the Lease Agreement.

(b) The issuance of such Additional Bonds shall have been authorized by the Corporation and shall have been provided for by a Supplemental Indenture which shall specify the following:

(1) the purpose for which such Additional Bonds are to be issued; *provided, however*, that the proceeds of such Additional Bonds shall be applied solely for the purpose of (i) financing, acquiring, constructing, maintaining, operating, improving and leasing any capital assets, including payment of all costs incidental to or connected with such financing (including interest during construction); (ii) and/or refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(2) the authorized principal amount and designation of such Additional Bonds;

(3) the dated date and the maturity dates of, and the sinking fund payment dates, if any, for such Additional Bonds; *provided, however*, that (i) each maturity and sinking fund date shall fall upon November 1; (ii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination; and (iii) serial maturities for Serial Bonds or sinking fund payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Additional Bonds on or before their respective longest maturity dates;

(4) the interest payment dates for such Additional Bonds, which shall be Interest Payment Dates;

(5) the redemption premium, if any, and the redemption terms, if any, for such Additional Bonds;

(6) the amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Interest Account;

(7) the amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in an escrow fund or acquisition fund;

(8) the forms of such Additional Bonds; and

(9) such other provisions as are necessary or appropriate and not inconsistent herewith.

(c) The Lease Agreement shall have been further amended so as to increase the aggregate Basic Lease Payments payable by the City thereunder by an amount at least sufficient to pay the interest on and principal of such Additional Bonds as the same become due, subject to the limitation that the increase in Basic Lease Payments together with existing Basic Lease Payments shall not in any year be in excess of the annual fair rental of the Property included in the Lease Agreement determined as of the time the Additional Bonds are issued.

Nothing contained herein shall limit the issuance of any lease revenue bonds of the Corporation payable from the Revenues and secured by a pledge of the Revenues if, after the issuance and delivery of such lease revenue bonds, none of the Bonds theretofore issued hereunder will be Outstanding.

Section 3.02 Procedure for the Issuance of Additional Bonds. The Corporation may, at any time, execute Additional Bonds for issuance hereunder and deliver them to the Trustee, and thereupon such Additional Bonds shall be authenticated and delivered by the Trustee to the purchaser thereof upon the Written Request of the Corporation, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee (unless the Trustee shall be requested by the Corporation to accept any of such documents bearing a prior date, for which the Trustee shall not be liable):

(a) an executed copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;

(b) an executed copy of the amendment to the Lease Agreement required by Section 3.01(c);

(c) a Written Request of the Corporation as to the delivery of such Additional Bonds;

(d) an Opinion of Counsel to the effect that (i) the Corporation has the right and power to execute and deliver the Supplemental Indenture and the Supplemental Indenture has been duly and lawfully executed and delivered by the Corporation, is in full force and effect and is valid and binding upon the Corporation and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles) and no other authorization for the execution and delivery thereof is required; (ii) the Supplemental Indenture creates the valid pledge of the Revenues which it purports to create as provided therein, subject to the application thereof to the purposes and on the conditions permitted hereby; (iii) such Additional Bonds are valid and binding special obligations of the Corporation, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles) and the terms hereof and entitled to the benefits hereof, and such Additional Bonds have been duly and

validly authorized, executed, issued and delivered in accordance herewith; (iv) the amendments to the Lease Agreement required by Section 3.01(c) hereof have been duly authorized, executed and delivered and are valid and binding upon the Corporation and the City and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights, by equitable principles and by limitations on legal remedies against public agencies in the State and by the application of State laws relating to conflicts of interest to which public agencies are subject); and (v) the issuance of such Additional Bonds, that are tax-exempt, will not adversely affect the exclusion from gross income for federal tax purposes of interest on the Bonds that are issued on a tax-exempt basis then Outstanding;

(e) a Certificate of the Corporation certifying that the conditions for the issuance of such Additional Bonds contained herein have been complied with and satisfied; and

(f) such further documents, opinions, money or securities as are required by the provisions of the Supplemental Indenture providing for the issuance of such Additional Bonds.

ARTICLE IV

ESTABLISHMENT OF CERTAIN FUNDS; DEPOSIT AND APPLICATION OF PROCEEDS

Section 4.01 Establishment of Certain Funds. (a) The Trustee shall establish the following special trust funds, which the Trustee agrees to maintain and keep separate and apart from all other funds and moneys held by the Trustee so long as the Bonds are Outstanding: the "Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C Bond Fund" (the "*Bond Fund*") and the "Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C Costs of Issuance Fund" (the "*Series 2021-C Costs of Issuance Fund*"). Incident to the issuance of Additional Bonds, the Supplemental Indenture may provide for the creation of additional special trust funds to be maintained by the Trustee.

In addition to the other funds and accounts created pursuant hereto, the Trustee shall establish and maintain a separate fund that shall be separate from any other fund or account established and maintained hereunder, one of which shall be designated the "Series 2021-C Rebate Fund" (the "*Rebate Fund*") for the Series 2021-C Bonds. Within the Rebate Fund, the Trustee shall maintain such accounts or subaccounts as are specified in a Written Request of the City or the Corporation to the Trustee pursuant to the Tax Certificate. The Trustee shall deposit moneys in the Rebate Fund as required by the Tax Certificate.

(b) So long as any of the Series 2021-C Bonds, or any interest thereon, remain unpaid, the moneys in the foregoing funds shall be used for no purpose other than those required or permitted by this Indenture.

Section 4.02 Procedure for the Issuance of Series 2021-C Bonds. The Corporation may, at any time, execute the Series 2021-C Bonds for issuance hereunder and deliver them to the Trustee, and thereupon the Series 2021-C Bonds shall be authenticated and delivered by the

Trustee to the purchaser thereof upon the Written Request of the Corporation and upon receipt of payment therefor from the purchaser thereof.

Section 4.03 Application of Proceeds and Other Monies. Upon receipt of payment for the Series 2021-C Bonds on the Closing Date, the Trustee shall apply the proceeds of the Series 2021-C Bonds and other monies as follows:

(1) the Trustee shall transfer to the Commercial Paper Issuing and Paying Agent the sum of \$[_____], to be applied to the payment of the Retired Commercial Paper; and

(2) the Trustee shall deposit the amount of [\$_____] in the Series 2021-C Costs of Issuance Fund.

The Trustee may establish a temporary fund or account in its records to facilitate and record the above deposits and transfers of monies.

Section 4.04 Costs of Issuance Fund. (a) The Trustee shall hold the moneys in the Series 2021-C Costs of Issuance Fund and shall disburse such moneys from time to time to pay Costs of Issuance for the Series 2021-C Bonds upon receipt by the Trustee of a Written Request of the City or the Corporation (on which the Trustee may conclusively rely) substantially in the form of *Exhibit B* hereto, which may be sent to the Trustee by facsimile or electronic mail, that:

(1) states with respect to each disbursement to be made:

(A) the requisition number,

(B) the name and address of the person, firm or corporation to whom payment is due,

(C) the amount to be disbursed and certifying that such amount is for payment of Costs of Issuance for the Series 2021-C Bonds, and

(D) that each obligation therein has been properly incurred, and is a proper charge against the Series 2021-C Costs of Issuance Fund and has not been the basis of any previous disbursement;

(2) specifies in reasonable detail the nature of the obligation; and

(3) is accompanied by a bill or statement of account for each obligation.

(b) Upon the earlier of (i) one year after the Closing Date and the date of receipt of a Certificate of the City stating that all Costs of Issuance for the Series 2021-C Bonds have been paid, any amount then remaining in such Series 2021-C Costs of Issuance Fund shall be deposited by the Trustee into the Series 2021-C Interest Account. The Trustee shall close the Series 2021-C Costs of Issuance Fund when no amounts remain in such fund.

ARTICLE V

REVENUES

Section 5.01 Pledge of Revenues. (a) All Revenues and amounts on deposit in the funds, accounts and subaccounts established hereunder with respect to the Series 2021-C Bonds (other than the Rebate Fund), including any interest or profits from the investment of money in such funds, accounts and subaccounts pursuant to Section 5.04, are hereby irrevocably pledged to the payment of the interest on and principal and redemption price, if any, of the Series 2021-C Bonds, as provided herein, and the Revenues and such amounts shall not be used for any other purpose while any of the Series 2021-C Bonds remain Outstanding; *provided, however*, that out of the Revenues there may be allocated such sums for such purposes as are expressly permitted by Section 5.03. Such pledge creates a first priority perfected security interest in the Revenues and the other amounts described in this subsection (a) in accordance with California law for the benefit of the Owners of the Series 2021-C Bonds.

(b) The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Corporation shall be deemed to be held, and to have been collected or received, by the Corporation as agent of the Trustee and shall forthwith be paid by the Corporation to the Trustee.

Section 5.02 Receipt and Deposit of Revenues in the Bond Fund. In order to carry out and effectuate the pledge contained in Section 5.01 hereof, the Trustee agrees and covenants that all Revenues when and as received shall be received in trust hereunder for the benefit of the Owners of the respective Series and shall be deposited when and as received in the Bond Fund. All Revenues shall be accounted for through and held in trust in the Bond Fund, and the Corporation shall have no beneficial right or interest in any of the Revenues except only as herein provided. All Revenues, whether received by the Corporation in trust or deposited with the Trustee as herein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Corporation.

Section 5.03 Establishment and Maintenance of Accounts for Use of Money in the Bond Fund. (a) Subject to any amounts required to be deposited in the Rebate Fund pursuant to the relevant Tax Certificate, all money in the Bond Fund shall be set aside by the Trustee in the following respective special accounts within the Bond Fund (each of which is hereby created and each of which the Trustee hereby covenants and agrees to maintain) in the following order of priority:

- (1) Series 2021-C Interest Account,
- (2) Series 2021-C Principal Account, and
- (3) Series 2021-C Redemption Account.

(b) All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section.

(1) *Interest Account.* (A) On or before each Interest Payment Date, the Trustee shall set aside from the Bond Fund, and deposit in the Series 2021-C Interest Account, that amount of money which, together with any money contained in the Series 2021-C Interest Account, is equal to the aggregate amount of interest becoming due and payable on all Outstanding Series 2021-C Bonds on such Interest Payment Date.

(B) No deposit need be made in the Series 2021-C Interest Account if the amount contained in the Series 2021-C Interest Account is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Series 2021-C Bonds on such Interest Payment Date.

(C) All money in the Series 2021-C Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series 2021-C Bonds.

(2) *Principal Account.* (A) On or before November 1 of each year, beginning on November 1, 2022, the Trustee shall set aside from the Bond Fund and deposit in the Series 2021-C Principal Account an amount of money equal to the aggregate principal amount of all Outstanding Series 2021-C Serial Bonds maturing on such November 1. No deposit need be made in the Series 2021-C Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Series 2021-C Serial Bonds maturing by their terms on such November 1.

(B) All money in the Series 2021-C Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Series 2021-C Bonds.

(3) *Redemption Account.* In addition to the above accounts, the Trustee shall establish and maintain within the Bond Fund, when required, a special account designated the "Series 2021-C Redemption Account." All money in the Series 2021-C Redemption Account shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in this section. Any Net Proceeds which, in accordance with a Written Request of the City or the Corporation delivered to the Trustee pursuant to Section 6.07 and all other amounts received by the Trustee in connection with the redemption of the Series 2021-C Bonds pursuant to Section 2.03 are to be used to redeem Series 2021-C Bonds and shall be deposited by the Trustee in the Series 2021-C Redemption Account. In the case of Net Proceeds delivered to the Trustee pursuant to Section 6.07, the Trustee shall deposit such amounts to the Series 2021-C Redemption Account. The Trustee shall, on the scheduled redemption date, withdraw from the Series 2021-C Redemption Account and pay to the Owners entitled thereto an amount equal to the redemption price of the Series 2021-C Bonds to be redeemed on such date.

(4) *Application of Funds.* Any delinquent Basic Lease Payments and proceeds of rental interruption insurance with respect to Property subject to the Lease Agreement shall be applied *first* to the Series 2021-C Interest Account based on the amount past due, for the immediate payment of interest payments past due and then to the Series 2021-C Principal Account, based on the past due amounts, for immediate payment of

principal payments past due according to the tenor of any Series 2021-C Bond. Any remaining money representing delinquent Basic Lease Payments and proceeds of rental interruption insurance with respect to Property subject to the Lease Agreement shall be deposited in the Bond Fund to be applied in the manner provided herein.

Section 5.04 Investment of Moneys in Funds and Accounts. Moneys in the Bond Fund, the Series 2021-C Costs of Issuance Fund and any accounts and subaccounts therein shall, solely upon the Written Request of the City or the Corporation at least two Business Days before the investment, be invested by the Trustee in Permitted Investments. The obligations in which moneys in the said funds, accounts and subaccounts are invested shall mature on or prior to the date on which such moneys are estimated to be required to be paid out hereunder. For purposes of determining the amount of deposit in any fund, account or subaccount held hereunder, all Permitted Investments credited to such fund or account shall be valued, on or about November 1 during each year that Bonds are Outstanding, at the cost thereof (adjusting for any amortized premium or discount to maturity). Except as otherwise provided in this Section, Permitted Investments representing an investment of moneys attributable to any fund, account or subaccount and all investment profits or losses thereon shall be deemed at all times to be a part of said fund, account or subaccount. The Trustee shall maintain records with respect to each investment, including: (i) purchase date; (ii) purchase price; (iii) any accrued interest paid; (iv) face amount; (v) coupon rate; (vi) periodicity of interest payments; (vii) disposition price; (viii) any accrued interest received; and (ix) disposition date. The Trustee will furnish the Corporation and the City periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee may act as principal or agent in the acquisition or disposition of investments, and to the extent permitted under the Tax Certificate may commingle the funds, accounts and subaccounts established hereunder for investment purposes. The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Article V.

The Corporation and the City acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Corporation and the City the right to receive brokerage confirmations of securities transactions as they occur, at no additional cost, the Corporation and the City specifically waive receipt of such confirmations to the extent permitted by law. Securities and investment transactions made by the Trustee under this Indenture will be set forth in the cash transaction statements provided by the Trustee to the Corporation and the City.

ARTICLE VI

COVENANTS OF THE CORPORATION, THE CITY AND THE TRUSTEE

Section 6.01 Punctual Payment and Performance. The Corporation will punctually pay the interest on and the principal of and redemption premium, if any, to become due on every Bond issued hereunder in strict conformity with the terms hereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants contained herein and in the Bonds.

Section 6.02 Against Encumbrances. The Corporation will not make any pledge of or place any charge or lien upon the Revenues except as provided herein, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds.

Section 6.03 Against Sale or Disposition of the Property. Except as provided in the Lease Agreement, the Corporation will not sell or otherwise dispose of the Property, enter into any agreement which impairs the use of the Property or any part thereof necessary to secure adequate Revenues for the payment of the interest on and principal of and redemption premium, if any, with respect to the Bonds, or which would otherwise impair the rights of the Owners with respect to the Revenues.

Section 6.04 Payment of Claims. The Corporation will pay and discharge or cause to be paid and discharged any and all lawful claims for labor, materials or supplies which, if unpaid, might become a legal charge or lien upon the Property or the Revenues or any part thereof or upon any funds under the control of the Corporation or the Trustee superior to or on a parity with the charge and lien upon the Revenues securing the Bonds, or which might impair the security of the Bonds.

Section 6.05 Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge or cause to be paid and discharged all applicable taxes, assessments and other governmental charges that may be levied, assessed or charged upon the Property or any part thereof or upon the Revenues or any part thereof promptly as and when the same shall become due and payable. The City will duly observe and conform with all valid applicable regulations and requirements of any governmental authority relative to the use of the Property or any part thereof, but the City shall not be required to comply with any such regulations or requirements so long as the application or the validity thereof shall be contested in good faith.

Section 6.06 Insurance. The City will maintain or cause to be maintained insurance with respect to the Property as required by the Lease Agreement.

Section 6.07 Insurance Proceeds and Condemnation Awards; Title Insurance.
(a) The Trustee shall receive all moneys which may become due and payable under any insurance policies obtained pursuant to Article IV of the Lease Agreement (other than workers' compensation insurance required under the Lease Agreement) and pursuant to any condemnation awards in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund," and shall apply the proceeds of such insurance as provided herein. The Trustee shall permit withdrawals of said proceeds from time to time upon receiving the Written Request of the City, stating that the City or the Corporation has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred, in such reasonable detail as the Trustee may in its discretion require.

(b) The Trustee shall not be responsible for the sufficiency of any insurance required by the Lease Agreement and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City.

Delivery to the Trustee of the schedule of insurance policies under the Lease Agreement shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies. The Trustee may request, in writing, that the City deliver to the Trustee certificates or duplicate originals or certified copies of each insurance policy described in the schedule required to be delivered by the City to the Trustee pursuant to Section 4.8 of Lease Agreement.

(c) Proceeds of any policy of insurance, title insurance, condemnation or eminent domain award received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(1) If the City determines that the loss, damage, title defect or taking giving rise to such proceeds has not materially affected the operation of the Property and will not result in an abatement of Basic Lease Payments payable by the City under the Lease Agreement, such proceeds shall at the election of the City as set forth in a Written Request of the City, be deposited in the (i) Series 2021-C Redemption Account and such proceeds shall be applied to cause the redemption of the Outstanding Series 2021-C Bonds in the manner provided in Section 2.03(a), or (ii) the Series 2021-C Principal Account and Series 2021-C Interest Account for application to the next two successive Basic Lease Payments;

(2) If any portion of the Property has been affected by such loss, damage, title defect or taking, and if the City determines that such loss, damage, title defect or taking will result in an abatement of Basic Lease Payments payable by the City under the Lease Agreement, and the City has not within 90 days of such damage, defect or taking notified the Trustee of its intent to repair or replace the lost, damaged, defective or taken Property, then the Trustee shall immediately deposit such proceeds in the Series 2021-C Redemption Account, and such proceeds shall be applied to cause the redemption of Outstanding Series 2021-C Bonds; or

(3) If the Trustee receives a Written Request of the City within 90 days of such loss, damage, defect or taking to the effect that the City desires to repair or replace the lost, damaged, defective or taken Property, accompanied by a Certificate of the City to the effect that such repair or replacement will take less than 24 months and, upon completion, the Property will have a fair rental value at least equal to the fair rental value of the Property prior to the loss, damage, defect or taking, the Trustee shall disburse the proceeds pursuant to Section 6.07(a) above.

Section 6.08 Accounting Records and Reports. The Corporation will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee (who shall have no duty to inspect), at reasonable hours and under reasonable conditions. Not more than nine months after the close of each Fiscal Year, the Corporation shall furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year, and including a profit and loss statement and balance sheet. The Corporation shall also keep or cause to be kept such other information as is required under the Tax

Certificate. The Trustee shall not have any responsibility to review such financial statements and shall retain such financial statements solely as a repository for the Owners.

Section 6.09 Lease Agreement and Other Documents. The Corporation will at all times maintain and vigorously enforce all of its rights under the Lease Agreement, and will promptly collect all rents and charges due for the use of the Property as the same become due under the Lease Agreement, and will promptly and vigorously enforce its rights against any tenant or other lessee who does not pay such rents or charges as they become due under the Lease Agreement. The Corporation will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation, abatement or termination of the Lease Agreement by the respective lessees thereunder.

Section 6.10 Other Liens. The Corporation will keep the Property free from judgments and liens (except those arising from the acquisition of the Property and except Permitted Encumbrances) and free from all claims, demands and encumbrances of whatsoever prior nature or character to the end that the security for the Bonds provided herein will at all times be maintained and preserved free from any claim or liability which might hamper the Corporation in conducting its business or interfere with the City's use and occupancy of the Property, and the Trustee at its option (after first giving the Corporation ten days' written notice to comply therewith and failure of the Corporation to so comply within such period) may defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such action or proceeding; *provided, however*, that in defending such actions or proceedings or in paying or compromising such claims or demands the Trustee shall not in any event be deemed to have waived or released the Corporation from liability for or on account of any of its agreements and covenants contained herein, or from its liability hereunder to defend the validity hereof and the pledge of the Revenues made herein and to perform such agreements and covenants.

Section 6.11 Prosecution and Defense of Suits. (a) The Corporation will promptly from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing, and shall prosecute or cause to be prosecuted all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and hold the Trustee harmless from all loss, cost, damage and expense, including attorney's fees and expenses, which it may incur by reason of any such defect, cloud, suit, action or proceeding.

(b) The Corporation will defend against every suit, action or proceeding except those arising out of the wrongful, willful act or actions of the Trustee at any time brought against the Trustee upon any claim arising out of the receipt, application or disbursement of any of the Revenues or involving the rights of the Trustee hereunder; *provided, however*, that the Trustee at its election may appear in and defend any such suit, action or proceeding.

Section 6.12 Further Assurances. Whenever and so often as requested to do so by the Trustee, the Corporation will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further

and more fully vest in the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

Section 6.13 Continuing Disclosure. Pursuant to Section 4.14 of the Lease Agreement, the City has undertaken all responsibility for compliance with continuing disclosure requirements, and the Corporation shall have no liability to the Owners or any other person with respect to Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The Trustee hereby covenants and agrees that it will comply with and carry out all of its obligations under the provisions of the Continuing Disclosure Certificate, if any, and Sections 4.14 of the Lease Agreement. Notwithstanding any other provision of this Indenture, failure of the City or the Trustee to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee, upon payment of its fees and expenses, including counsel fees and expenses, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any Owner or Beneficial Owner 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 Section 4.14 of the Lease Agreement, respectively, or to cause the Trustee to comply with its obligations under this Section 6.13.

Section 6.14 Tax Covenant. The Corporation and the City hereby covenant and agree that neither the Corporation nor the City will take any action that would cause interest on any Bonds issued on a tax-exempt basis (including, without limitation, the Series 2021-C Bonds) to be or to become ineligible for the exclusion from gross income of the owner or owners thereof for federal income tax purposes, nor will it omit to take or cause to be taken, in a timely manner, any action, which omission would cause interest on any Bonds issued on a tax-exempt basis (including, without limitation, the Series 2021-C Bonds) to be or to become ineligible for the exclusion from gross income of the owner or owners thereof for federal income tax purposes.

ARTICLE VII

THE TRUSTEE

Section 7.01 Appointment and Acceptance of Duties. The Trustee hereby accepts and agrees to the trusts hereby created to all of which the Corporation agrees and the respective owners of the Bonds, by their purchase and acceptance thereof, agree.

Section 7.02 Duties, Immunities and Liabilities of Trustee. (a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied duties or obligations shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) So long as no Event of Default has occurred and is continuing, the Corporation may remove the Trustee at any time and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving written notice of such resignation to the Corporation and the City and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the bond register. Upon receiving such notice of resignation, the Corporation shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the retiring Trustee, at the expense of the Corporation, or any Owner (on behalf of itself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Corporation and its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, at the written request of the Corporation or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Corporation and the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder by first class mail, postage prepaid, to the Owners at their addresses listed in the bond register.

(e) Any Trustee appointed under the provisions of this Section shall be a trust company, national banking association, corporation or bank having the powers of a trust company, having a corporate trust office in California, having a combined capital and surplus of at least one

hundred million dollars (\$100,000,000), and subject to supervision or examination by federal or state authority. If such bank, corporation, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, corporation, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder if it shall have reasonable grounds for believing that repayment of such funds or indemnity reasonably satisfactory to it against such risk or liability is not assured to it.

(g) The Trustee shall not be responsible for the sufficiency, timeliness or enforceability of the Revenues.

(h) The Trustee shall not be accountable for the use or application by the Corporation, the City or any other party of any funds which the Trustee has released under this Indenture.

(i) The Trustee may employ attorneys, agents or receivers in the performance of any of its duties hereunder and shall not be answerable for the misconduct of any such attorney, agent or receiver selected by it with reasonable care.

Section 7.03 Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, *provided* such company shall be eligible under subsection (e) of Section 7.02, shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 7.04 Compensation. (a) The Corporation shall pay the Trustee, or cause the Trustee to be paid, reasonable compensation for its services rendered hereunder and shall reimburse the Trustee for reasonable expenses, including attorney's fees and expenses, incurred by the Trustee in the performance of its obligations hereunder.

(b) The Corporation agrees, to the extent permitted by law, to indemnify the Trustee and its respective officers, directors, members, employees, attorneys and agents for, and to hold them harmless against, any loss, liability, cost, judgment, claim, suit or expense incurred without negligence or willful misconduct on their part arising out of or in connection with the acceptance or administration of the trusts imposed by this Indenture or any other document executed in connection herewith, including performance of their duties hereunder, including the costs and expenses of defending themselves against any claims or liability in connection with the exercise or performance of any of their powers or duties hereunder. Such compensation and

indemnity shall survive the termination or discharge of the Indenture and resignation or removal of the Trustee.

Section 7.05 Liability of Trustee. (a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Corporation, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Indenture, the Site Lease, the Lease Agreement or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder or under the Lease Agreement unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at the Corporate Trust Office of the Trustee. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to Section 6.08 and may rely conclusively on the certificates provided hereunder to establish the compliance with financial covenants hereunder.

(f) All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

(g) The Trustee shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(h) Before taking any action under Article IX hereof or this Article at the request of the Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

Section 7.06 Right to Rely on Documents. (a) The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may but need not be counsel of or to the Corporation or the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(b) Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Corporation, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 7.07 Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Corporation, the City and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 7.08 City Provisions. The Standard Provisions for City Contracts attached hereto as Exhibit C are hereby incorporated herein by reference as though fully set forth herein.

ARTICLE VIII

AMENDMENT OF THE INDENTURE

Section 8.01 Amendment of the Indenture. (a) The Indenture and the rights and obligations of the Corporation, the City and of the Owners may be amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of at least a majority in aggregate principal amount of the affected Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.02, are filed with the Trustee. No such amendment shall (i) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Corporation to pay the interest on or principal of or redemption premium, if any,

on any Bond at the time and place and at the rate and in the currency provided herein without the express written consent of the Owner of such Bond; (ii) permit the creation by the Corporation of any pledge of the Revenues as provided herein superior to or on a parity with the pledge created hereby for the benefit of the Bonds; or (iii) modify any rights or obligations of the Trustee without its prior written assent thereto.

(b) The Indenture and the rights and obligations of the Corporation, the City and the Owners may also be amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel and only for any one or more of the following purposes:

(1) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Corporation may deem desirable or necessary and not inconsistent herewith and which shall not materially adversely affect the interests of the Owners; or

(2) to make any other change or addition hereto which shall not materially adversely affect the interests of the Owners, or to surrender any right or power reserved herein to or conferred herein on the Corporation; or

(3) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in Article III.

Section 8.02 Disqualified Bonds. Bonds owned or held by or for the account of the Corporation or the City, unless 100% of the Outstanding Bonds are so owned, shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this Article VIII, and shall not be entitled to consent to or take any other action provided in this Article VIII, *provided, however*, that the Trustee shall not be deemed to have knowledge that any Bond is owned or held by or for the account of the Corporation or the City unless the Corporation or the City is the registered Owner or the Trustee has received written notice that any other registered Owner is holding for the account of the Corporation or City.

Section 8.03 Endorsement or Replacement of Bonds after Amendment. After the effective date of any action taken as hereinabove provided, the Corporation may determine that the Bonds may bear a notation by endorsement in form approved by the Corporation as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of its Bond for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Corporation shall so determine, new Bonds so modified as, in the opinion of the Corporation, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond such new Bonds shall be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

Section 8.04 Amendment by Mutual Consent. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds owned by it, *provided* that due notation thereof is made on such Bonds.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

Section 9.01 Events of Default. Any one or more of the following events shall be called an “Event of Default” with respect to a Series of Bonds under this Indenture:

(a) default shall be made in the due and punctual payment of the interest on any Bond of such Series when and as the same shall become due and payable;

(b) default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond of such Series when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) default shall be made by the Corporation or the City in the performance of any of the other agreements or covenants required herein to be performed by the Corporation or the City, respectively, and such default shall have continued for a period of 60 days after the Corporation and the City shall have been given notice in writing of such default by the Trustee; *provided, however*, if the default stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if the Trustee receives a certificate from a City Representative to the effect that corrective action is being instituted by the City within the applicable period and is being diligently pursued to correct the default; or

(d) the Corporation or the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Corporation or the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Corporation or the City or of the whole or any substantial part of its property.

Section 9.02 Proceedings by Trustee. (a) Subject to Section 9.09 hereof, upon the happening and continuance of any Event of Default the Trustee in its discretion may, and at the written request of the Owners of not less than 25% in aggregate principal amount of the defaulted Bonds Outstanding and upon being indemnified to its satisfaction shall, do the following:

(1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Corporation to enforce all rights of the Owners of Bonds, including the right to require the Corporation to receive and collect Revenues and to enforce its rights under the Lease Agreement and to require the Corporation to carry out any other covenant or agreement with Owners of Bonds and to perform its duties hereunder;

(2) bring suit upon the Bonds;

(3) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners; and

(4) as a matter of right, have a receiver or receivers appointed for the Revenues and the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

(b) Notwithstanding the foregoing, neither this Indenture nor the Bonds provide for the remedy of acceleration of principal or interest due with respect to the Bonds prior to their stated due dates.

(c) Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of the Owners thereof, or to authorize the Trustee to vote in respect of the claim of any Owner of Bonds in any such proceeding without the approval of the Owners of the Bonds so affected.

Section 9.03 Effect of Discontinuance or Abandonment. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Corporation, the City, the Trustee and the Owners shall be restored to their former positions and rights under this Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 9.04 Rights of Owners. (a) Anything in this Indenture to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners in Sections 9.02 above and 9.05 below, upon the happening and continuance of any Event of Default, the Owners of not less than 25% in aggregate principal amount of the defaulted Bonds then Outstanding shall have the right upon providing the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under this Indenture.

(b) The Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability.

(c) Nothing in this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of the Owners thereof, or to authorize the Trustee to vote in respect of the claim of any Owner of Bonds in any such proceeding without the approval of the Owners of the Bonds so affected.

Section 9.05 Restriction on Owners' Action. In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in this Article IX, no Owner of any of the Bonds shall have any right to institute

any suit, action or proceeding in equity or at law for the enforcement of any trust under this Indenture, or any other remedy under this Indenture or on said Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless the Owners of not less than 25% in aggregate principal amount of the defaulted Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in this Indenture granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of this Indenture or for any other remedy under this Indenture; it being understood and intended that no one or more Owners of the Bonds secured by this Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right under this Indenture or under the Bonds, except in the manner in this Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in this Indenture provided, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of this Section.

Section 9.06 Power of Trustee to Enforce. All rights of action under this Indenture or under any of the Bonds secured by this Indenture which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners of the Bonds subject to the provisions of this Indenture.

Section 9.07 Remedies Not Exclusive. No remedy in this Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under this Indenture or now or hereafter existing at law or in equity or by statute.

Section 9.08 Waiver of Events of Default; Effect of Waiver. (a) The Trustee shall waive any Event of Default hereunder and its consequences upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding defaulted Bonds. If any Event of Default shall have been waived as herein provided, the Trustee shall promptly give written notice of such waiver to the Corporation, the City and shall give notice thereof by first class mail, postage prepaid to all Owners of Outstanding defaulted Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

(b) No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein; and every power and remedy given by this Article IX to the Trustee and to

the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 9.09 Application of Moneys. (a) Any moneys received by the Trustee pursuant to this Article IX, together with any moneys which upon the occurrence of an Event of Default are held by the Trustee in any of the funds and accounts hereunder (other than the Rebate Fund and other than moneys held for Bonds not presented for payment) shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel, be applied as follows:

(1) unless the principal of all of the Outstanding defaulted Bonds shall be due and payable,

FIRST: to the payment of the persons entitled thereto of all installments of interest then due on the defaulted Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND: to the payment of the persons entitled thereto of the unpaid principal of and premium, if any, on any of the defaulted Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, on such defaulted Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD: to be held for the payment to the persons entitled thereto as the same shall become due of the principal of, interest, and premium, if any, on the defaulted Bonds, which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full such principal and premium, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with the FIRST and SECOND paragraphs hereof.

(2) if the principal of all of the Outstanding defaulted Bonds shall be due and payable, to the payment of the principal, and premium, if any, and interest then due and unpaid upon the Outstanding defaulted Bonds without preference or priority of any of principal, premium or interest over the others or of any installment of interest, or of any Outstanding defaulted Bond over any other Outstanding defaulted Bond, ratably, according to the amounts due respectively for principal, premium, and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding defaulted Bonds.

(b) Whenever moneys are to be applied pursuant to the provisions of this Section 9.09, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

ARTICLE X

DEFEASANCE

Section 10.01 Discharge of Bonds. (a) If the Corporation shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds of a Series the interest thereon and the principal thereof and the redemption premium, if any, thereon at the times and in the manner stipulated herein and therein, then the Owners of such Bonds shall cease to be entitled to the pledge of the Revenues as provided herein, and all agreements, covenants and other obligations of the Corporation to the Owners of such Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Corporation all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Corporation all money or securities held by it pursuant hereto which are not required for the payment of the interest on and principal of and redemption premium, if any, on such Bonds.

(b) Subject to the provisions of Section 10.01(a), when any of the Bonds shall have been paid and if, at the time of such payment, the Corporation shall have kept, performed and observed all the covenants and promises in such Bonds and in this Indenture required or contemplated to be kept, performed and observed by the Corporation or on its part on or prior to that time, then this Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of this Indenture and such lien and all covenants, agreements and other obligations of the Corporation hereunder shall cease, terminate, become void and be completely discharged as to such Bonds.

(c) Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture contained in Section 7.04 relating to the compensation and indemnification of the Trustee shall remain in effect and shall be binding upon the Trustee and the Corporation.

(d) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsections (a), (b) and (c) of this Section 10.01 if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of Section 2.03 of this Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with Section 2.03 of this Indenture; (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or Defeasance Securities which are not subject to redemption prior to maturity except by the holder thereof (including any such Defeasance Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall, as verified by an independent Certified Public Accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premium, if any, with respect to such Bonds; and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premium, if any, on such Bonds. Defeasance Securities deposited with the Trustee may be replaced with other Defeasance Securities, subject to verification of sufficiency by an independent Certified Public Accountant, and profits, gains, income and any other economic benefits arising from such substitution shall inure to the benefit of, and be paid to, the City.

(e) Notwithstanding the foregoing, no defeasance of any Series 2021-C Bond shall occur until the Trustee has received an opinion of Bond Counsel to the effect that the provision for such payment and defeasance pursuant to this Section 10.01 shall not adversely affect the Owners of the Series 2021-C Bonds for federal income tax purposes.

Section 10.02 Unclaimed Money. Anything contained herein to the contrary notwithstanding and subject to applicable law, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remains unclaimed for two years after the date when such Bonds have become due and payable (during which time the Trustee shall hold such funds without liability for interest), either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee shall be repaid by the Trustee to the Corporation as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Corporation for the payment of such Bonds; *provided, however*, that before being required to make any such payment to the Corporation, the Trustee shall, upon the Written Request of the Corporation and at the expense of the Corporation, cause to be published once a week for two successive weeks in a Financial Newspaper, a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than 30 days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the Corporation.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Liability of Corporation and City Limited to Revenues.

(a) Notwithstanding anything contained herein, neither the Corporation nor the City shall be required to advance any money derived from any source of income other than the Revenues as provided herein for the payment of the interest on or principal of or redemption premium, if any, on the Bonds or for the performance of any agreements or covenants herein contained. The Corporation or the City may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

(b) The Bonds shall be limited obligations of the Corporation and shall be payable solely from the Revenues and amounts on deposit in the funds and accounts established hereunder (other than amounts on deposit in the Rebate Fund) as provided herein. The Bonds do not constitute a debt or liability of the City or of the State and neither the faith and credit of the City or of the State are pledged to the payment of the principal of or interest on the Bonds.

Section 11.02 Benefits of the Indenture Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Corporation, the City, the Trustee and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Corporation or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Corporation, the Trustee and the Owners of the Bonds.

Section 11.03 Successor Is Deemed Included in All References to Predecessor. Whenever herein either the Corporation or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Corporation or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Corporation or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.04 Execution of Documents by Owners. (a) Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or its attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to it the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Bonds and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the Bonds at the office of the Trustee.

(b) Any declaration, request or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Corporation in good faith and in accordance therewith.

Section 11.05 Waiver of Personal Liability. No member, officer or employee of the Corporation or the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premium, if any, with respect to the Bonds by reason of their issuance, but nothing herein contained shall relieve any member, officer or employee of the Corporation or the City from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 11.06 Acquisition of Bonds by Corporation or City. All Bonds acquired by the Corporation or the City, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Section 11.07 Destruction of Canceled Bonds. Whenever provision is made for the return to the Corporation of any Bonds which have been canceled pursuant to the provisions hereof, the Trustee shall destroy such Bonds and furnish to the Corporation a certificate of such destruction.

Section 11.08 Content of Certificates. (a) Every Certificate of the Corporation with respect to compliance with any agreement, condition, covenant or provision provided herein shall include (i) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or provision and the definitions herein relating thereto; (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (iii) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or provision has been complied with; and (iv) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or provision has been complied with.

(b) Any Certificate of the Corporation may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the Corporation, upon a representation by an officer or officers of the Corporation unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 11.09 Publication for Successive Weeks. Any publication required to be made hereunder for successive weeks in a Financial Newspaper may be made in each instance upon any Business Day of the first week and need not be made on the same Business Day of any succeeding week or in the same Financial Newspaper for any subsequent publication, but may be made on different Business Days or in different Financial Newspapers, as the case may be.

Section 11.10 Funds, Accounts and Subaccounts. Any fund, account or subaccount required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account, subaccount or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account, subaccount or a fund; but all such records with respect to all such accounts, subaccounts and funds shall at all times be maintained in accordance with sound corporate trust industry practice and with due regard for the protection of the security of the Bonds and the rights of the Owners.

Section 11.11 Article and Section Headings and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to the Indenture as a whole and not to any particular article, section, subdivision or clause hereof.

Section 11.12 Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Corporation, the City or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law. The Corporation, the City and the Trustee hereby declare that they would have executed and delivered the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 11.13 Execution in Several Counterparts. This Indenture may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. The parties further agree that facsimile signatures or signatures scanned into a portable document format (pdf file) (or signatures in another electronic format designated by the City) and sent by e-mail shall be deemed original signatures.

Section 11.14 Law Governing. This Indenture shall be governed exclusively by the provisions hereof and by the laws of the State as the same from time to time exist.

Section 11.15 Notices. All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the City: Office of the City Administrative Officer
City of Los Angeles
200 North Main Street
City Hall East Room 1500
Los Angeles, California 90012
Attention: MICLA Coordinator
Email: cao.debt@lacity.org

If to the Corporation: Municipal Improvement
Corporation of Los Angeles
c/o City Administrative Officer
200 North Main Street
City Hall East, Room 1500
Los Angeles, California 90012
Attention: Assistant Secretary and Assistant Treasurer

If to the Trustee: U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attention: Global Corporate Trust

Each such approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder shall be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered, upon delivery, (b) if given by telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, (c) if given by electronic mail, on the date sent, but only if confirmation of the receipt of such electronic mail is received or if notice is concurrently sent by another means specified herein, (d) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, or (e) if given by any other means, upon delivery at the address specified in this Section.

Section 11.16 Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment, with no interest accruing for the period from and after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefore in this Indenture.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Municipal Improvement Corporation of Los Angeles has caused this Indenture to be signed in its name by its Assistant Secretary and Assistant Treasurer, the City of Los Angeles has caused this Indenture to be signed in its name by its Assistant City Administrative Officer and, in token of its acceptance of the trusts created hereunder, U.S. Bank National Association, has caused this Indenture to be signed by its duly authorized officer, all as of the day and year first above written.

MUNICIPAL IMPROVEMENT CORPORATION OF
LOS ANGELES

By: _____
Assistant Secretary and Assistant Treasurer

CITY OF LOS ANGELES

By: _____
Assistant City Administrative Officer

Approved as to form:
Michael N. Feuer,
City Attorney

By: _____
Deputy City Attorney

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Officer

-Signature Page to Indenture-

EXHIBIT A

FORM OF SERIES 2021-C BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND EXECUTED AND DELIVERED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

No. \$[_____]

**MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
LEASE REVENUE BOND, SERIES 2021-C
(CAPITAL EQUIPMENT AND REAL PROPERTY)**

NEITHER THIS BOND NOR THE PAYMENT OF THE PRINCIPAL OR ANY PART THEREOF NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF LOS ANGELES OR STATE OF CALIFORNIA AND NEITHER THE FAITH AND CREDIT OF THE CITY OF LOS ANGELES NOR THE STATE OF CALIFORNIA ARE PLEDGED TO THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THIS BOND.

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
____%	[November 1, 20__]	[December __], 2021	

Registered Owner: Cede & Co.

Principal Sum:

The Municipal Improvement Corporation of Los Angeles, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior redemption provided for) the principal sum specified above, together with interest thereon from the interest payment date next preceding the date of authentication hereof (unless such date of authentication is during the period commencing after the fifteenth day of the month preceding an interest payment date, whether or not said day is a business day (the “Record Date”) through and including the next succeeding interest payment date, in which event this Bond shall bear interest from such interest payment date, or unless such date of authentication is prior to the first Record Date, in which event it shall bear interest from the Dated Date specified above) until the principal hereof shall have been paid at the interest rate

per annum specified above, payable on November 1, 2022, and semiannually thereafter on May 1 and November 1 in each year.

The principal of this Bond shall be payable in lawful money of the United States of America at the corporate trust office of the Trustee (as hereinafter defined) in Los Angeles, California upon presentation and surrender of this Bond or such other place as designated by the Trustee.

Payment of interest on this Bond due on or before the maturity or prior redemption thereof shall be made to the person in whose name such Bond is registered, as of the Record Date immediately preceding the applicable interest payment date, on the registration books kept by the Trustee at its corporate trust office, such interest to be paid by check mailed by first class mail on such interest payment date to the registered owner at his address as it appears on such books as the Record Date; *provided* that upon the written request of an Owner of \$1,000,000 or more in aggregate principal amount of the Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds. Interest on this Bond shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

This Bond is one of a duly authorized issue of bonds of the Corporation designated as its “Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property)” (the “*Bonds*”) in the aggregate principal amount [] Dollars ([\$]), all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, Series, maturities and interest rates), and is issued under and pursuant to the provisions of an Indenture, dated as of December 1, 2021 (the “*Indenture*”), by and among the City of Los Angeles (the “*City*”), the Corporation and U.S. Bank National Association, as trustee (the “*Trustee*”) (copies of which are on file at the office of the Secretary of the Corporation and at the corporate trust office of the Trustee).

The Bonds are limited obligations of the Corporation and are payable, as to interest thereon and principal thereof, solely from the revenues derived from basic lease payments paid by the City for the use of the Property (as defined in the Indenture) as long as the City has such use of the Property, and amounts on deposit in the funds, accounts and subaccounts established under the Indenture with respect to the Bonds (other than amounts on deposit in the Rebate Fund), all as set forth in the Indenture (“*Revenues*”). All the Bonds are equally and ratably secured in accordance with the terms and conditions of the Indenture by a pledge of the Revenues, which Revenues shall be held in trust for the security and payment of the interest on, principal of and redemption premium, if any, with respect to the Bonds as provided in the Indenture.

The Bonds are special, limited obligations of the Corporation and do not constitute a debt, liability or obligation of the City or of the State of California (the “*State*”) or any political subdivision thereof and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the Bonds.

Additional lease revenue bonds payable from the Revenues may be issued which will rank equally as to security with the Bonds, but only subject to the conditions and upon compliance with the procedures set forth in the Indenture. Reference is hereby made to the Indenture and any and

all amendments thereof and supplements thereto for a description of the terms under which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights of the registered owners of the Bonds. All of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Corporation and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents. Each registered owner hereof shall have recourse to all of the provisions of the Indenture and shall be bound by all of the terms and conditions thereof.

The Corporation has agreed and covenanted that, for the payment of the interest on, the principal of and redemption premium, if any, with respect to this Bond and all other Bonds of this issue authorized by the Indenture when due, there has been created and will be maintained by the Trustee a special fund into which all Revenues (other than deposits to the Rebate Fund created by the Indenture) shall be deposited, and the Corporation has allocated such Revenues solely to the payment of the interest on and principal of and redemption premium, if any, on the Bonds, and the Corporation will pay promptly when due the interest on and the principal of and redemption premium, if any, on this Bond and all other Bonds of this issue authorized by the Indenture out of said special fund, all in accordance with the terms and provisions set forth in the Indenture.

The Bonds are subject to redemption prior to their respective maturity dates, in Authorized Denominations, on any date, in whole or in part, from net insurance proceeds or condemnation awards, upon the terms and conditions of, and as provided in, the Indenture, at the principal amount thereof together with accrued interest to the date of redemption, without premium. If less than all outstanding Bonds are to be redeemed at any time, the Trustee shall use the net insurance proceeds or condemnation awards attributable to the portion of the Property destroyed, damaged, stolen or taken, to redeem the Bonds, as directed in writing by the City. Subject to the foregoing, if less than all outstanding Bonds maturing by their terms on any one date are to be so redeemed at any one time, Bonds of such maturity date to be redeemed shall be selected in the manner provided herein and in the Indenture.

The Bonds maturing on or before November 1, 20[31] are not subject to optional redemption prior to their stated maturity dates. The Bonds maturing on or after November 1, 20[32] are subject to redemption, in whole or in part, of such maturities designated by the City, prior to their respective maturity dates, at the option of the Corporation (at the direction of the City), on any date on or after November 1, 20[31], at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

The Bonds maturing on [November 1, 20__] are also subject to mandatory redemption prior to their stated maturity, in part, from sinking account payments deposited in the Series 2021-C Bonds Redemption Account created by the Indenture, on each November 1, commencing [November 1, 20__], at the principal amount thereof and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:]

Year (November 1)	Principal Amount
	\$

* Maturity

[As provided in the Indenture, notice of redemption of this Bond shall be given by first class mail not less than 20 days nor more than 60 days before the redemption date to the registered owner hereof. If notice of redemption has been duly given and money for the payment of the redemption price is held by the Trustee, then on the redemption date designated in such notice, this Bond shall become due and payable, and from and after the date so designated, interest on this Bond shall cease to accrue and the registered owner of this Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof.]

This Bond is transferable only on the books required to be kept for that purpose at the office of the Trustee by the registered owner hereof in person or by its duly authorized attorney upon payment of the charges provided in the Indenture and upon surrender of this Bond together with a written instrument of transfer duly executed by the registered owner or its duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount will be issued to the transferee in exchange therefor. The Trustee shall not be required to register the transfer of or exchange any Bond (1) during the period commencing on the day five business days before the date on which Bonds are to be selected for redemption and ending on such date of selection, or (2) which has been selected for redemption in whole or in part.

The Corporation and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the Corporation nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

The rights and obligations of the Corporation and of the registered owners of the Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such amendment shall (1) extend the maturity of this Bond or reduce the interest rate hereon or otherwise alter or impair the obligation of the Corporation to pay the interest hereon or principal hereof at the time and place and at the rate and in the currency provided herein without the express written consent of the registered owner of this Bond, (2) permit the creation by the Corporation of any pledge of the Revenues superior to or on a parity with the pledge created by the Indenture for the benefit of the Bonds, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto, all as more fully set forth in the Indenture.

If the Corporation shall pay or cause to be paid or there shall otherwise be paid to the registered owners of all outstanding Bonds the interest thereon, the principal thereof and the redemption premium, if any, thereon at the times and in the manner stipulated herein and in the Indenture, then the registered owners of such Bonds shall cease to be entitled to the pledge of the

Revenues as provided in the Indenture, and all agreements, covenants and other obligations of the Corporation to the registered owners of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied.

This Bond shall not be entitled to any benefit, protection or security under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually executed and dated by the Trustee.

It is hereby certified that all acts and proceedings required by law necessary to make this Bond, when executed by the Corporation, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligation of the Corporation have been done and taken, and have been in all respects duly authorized.

IN WITNESS WHEREOF, the Municipal Improvement Corporation of Los Angeles has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its _____, and attested to by the manual or facsimile signature of _____, and has caused this Bond to be dated [December __], 2021.

MUNICIPAL IMPROVEMENT CORPORATION OF LOS
ANGELES

By: _____
[Title]

ATTEST:

By: _____
[Title]

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within mentioned Indenture which has been authenticated and registered on [December __], 2021.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT TO APPEAR ON SERIES 2021-C BONDS]

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____, whose tax identification number is _____, the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTE: The signature to this Assignment must correspond with the name as written upon the face of the bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

NOTE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

EXHIBIT B

FORM OF SERIES 2021-C COSTS OF ISSUANCE FUND REQUISITION

To: U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attn: Global Corporate Trust

Re: Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) Costs of Issuance Fund

Requisition No. _____

The undersigned, on behalf of the Municipal Improvement Corporation of Los Angeles (the "*Corporation*"), hereby requests payment, from the Costs of Issuance Fund identified above, the total amount shown below to the order of the payee or payees named below, as payment or reimbursement for services rendered, costs incurred or expenditures made in connection with the issuance of the Bonds identified above, as reflected in the related invoice(s) attached hereto. The payee(s), the purpose and the amount of the disbursement requested are as follows:

PAYEE	PURPOSE	AMOUNT
[name and address]		\$
	Total	\$

The undersigned hereby certify that each obligation mentioned herein has been properly incurred, is a proper charge against the Costs of Issuance Fund and has not been the basis of any previous disbursement from the Costs of Issuance Fund. A copy of the bill or statement for each obligation mentioned herein is attached hereto.

Dated: _____, 20__

CITY OF LOS ANGELES

By: _____
[Title]

EXHIBIT C

STANDARD PROVISIONS FOR CITY CONTRACTS

The Trustee agrees to be subject to the following provisions unless otherwise exempt from any of such provisions or unless any of such provisions are not applicable as a matter of law.

Section 1. Independent Contractor. The Trustee is an independent contractor and not an agent or employee of the City. The Trustee shall not represent or otherwise hold out itself or any of its directors, officers, partners, employees or agents to be an agent or employee of the City.

Section 2. Retention of Records, Audits and Reports. The Trustee shall maintain all records, including records of financial transactions, pertaining to the performance of this Indenture, in their original form or as otherwise approved by the City. These records shall be retained for a period of no less than three years from the later of the following: (1) final payment made by MICLA or the City, (2) the expiration of this Indenture or (3) termination of this Indenture. The records will be subject to examination and audit by authorized City personnel or the City's representatives at any time. The Trustee shall provide any reports requested by the City regarding performance of this Indenture. Any subcontract entered into by the Trustee for work to be performed under this Indenture must include an identical provision.

In lieu of retaining the records for the term as prescribed in this provision, the Trustee may, upon the City's written approval, submit the required information to the City in an electronic format, e.g. USB flash drive, at the expiration or termination of this Indenture.

Section 3. Taxpayer Identification Number ("TIN") and Withholding Taxes. The Trustee declares that it has an authorized TIN which will be provided to the City on Form W-9 or such equivalent form prior to payment under the Indenture. Payments made under the Indenture shall be subject to any federal or state taxes as may be required to be withheld pursuant to any applicable law or regulation, unless otherwise exempted by such applicable law, regulations, or other evidence of exemption.

Section 4. Warranty and Responsibility of the Trustee. The Trustee warrants that the work performed under the Indenture shall be completed in a manner consistent with professional standards practiced among those firms within the Trustee's profession, doing the same or similar work under the same or similar circumstances.

Section 5. Mandatory Provisions Pertaining to Non-Discrimination in Employment.

Unless otherwise exempt, this Indenture is subject to the applicable non-discrimination, equal employment practices, and affirmative action program provisions in the Los Angeles Administrative Code ("LACC") Section 10.8 et seq., as amended from time to time.

- A. The Trustee shall comply with the applicable non-discrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the City. In performing this Indenture, the Trustee shall not discriminate in any of its hiring or employment practices against any employee or applicant for

employment because of such person's race, color, religion, national origin, ancestry, sex, sexual orientation, gender, gender identity, age, disability, domestic partner status, marital status or medical condition.

- B. The provisions of Section 10.8.3 of the LAAC are incorporated and made a part of this Indenture by reference and will be known as the "Equal Employment Practices" provisions of this Indenture.
- C. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Indenture by reference and will be known as the "Affirmative Action Program" provisions of this Indenture.

Any subcontract entered into by the Trustee for work to be performed under this Indenture must include an identical provision.

Section 6. Child Support Assignment Orders. The Trustee shall comply with the Child Support Assignment Orders Ordinance, Section 10.10 of the LAAC, as amended from time to time. Pursuant to Section 10.10(b) of the LAAC, the Trustee (and any subcontractor of the Trustee providing services to the City under this Indenture) shall (1) fully comply with all State and Federal employment reporting requirements for the Trustee's or the subcontractor's employees; (2) certify that the principal owner(s) of the Trustee and applicable subcontractor are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230, et seq.; and (4) maintain such compliance throughout the term of this Indenture.

Failure of the Trustee or an applicable subcontractor to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment or Notices of Assignment, or the failure of any principal owner(s) of the Trustee or applicable subcontractor to comply with any Wage and Earnings Assignment or Notices of Assignment applicable to them personally, shall constitute a default by the Trustee under this Indenture. Failure of the Trustee or applicable subcontractor or principal owner to cure the default within 90 days of the notice of default will subject this Indenture to termination for breach. Any subcontract entered into by the Trustee for work to be performed under this Indenture must include an identical provision.

Section 7. Access and Accommodations.

The Trustee represents and certifies that:

- A. The Trustee shall comply with the Americans with Disabilities Act, as amended, 42 U.S.C. Section 12101 et seq., the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701 et seq., the Fair Housing Act, and its implementing regulations and any subsequent amendments, and California Government Code Section 11135;
- B. The Trustee shall not discriminate on the basis of disability or on the basis of a person's relationship to, or association with, a person who has a disability;

- C. The Trustee shall provide reasonable accommodation upon request to ensure equal access to City-funded programs, services and activities;
- D. Construction will be performed in accordance with the Uniform Federal Accessibility Standards (UFAS), 24 C.F.R. Part 40; and
- E. The buildings and facilities used to provide services under this Indenture are in compliance with the federal and state standards for accessibility as set forth in the 2010 ADA Standards, California Title 24, Chapter 11, or other applicable federal and state law.

The Trustee understands that the City is relying upon these certifications and representations as a condition to funding this Indenture. Any subcontract entered into by the Trustee for work to be performed under this Indenture must include an identical provision.

Section 8. Contractor Responsibility Ordinance. The Trustee shall comply with the Contractor Responsibility Ordinance, LAAC Section 10.40 et seq., as amended from time to time.

Section 9. Restrictions on Campaign Contributions and Fundraising in City Elections. Unless otherwise exempt, if this Indenture is valued at \$100,000 or more and requires approval by an elected City office, the Trustee, the Trustee's principals, and the Trustee's subcontractors expected to receive at least \$100,000 for performance under this Indenture, and the principals of those subcontractors (the "Restricted Persons") shall comply with Charter Section 470(c)(12) and Los Angeles Municipal Code ("LAMC") Section 49.7.35. Failure to comply entitles the City to terminate this Indenture and to pursue all available legal remedies. Charter Section 470(c)(12) and LAMC Section 49.7.35 limit the ability of the Restricted Persons to make campaign contributions to and engage in fundraising for certain elected City officials or candidates for elected City office for twelve months after this Indenture is signed. Additionally, a contractor (i.e., the Trustee) subject to Charter Section 470(c)(12) is required to comply with disclosure requirements by submitting a completed and signed Ethics Commission Form 55 and to amend the information in that form as specified by law. Any contractor (i.e., the Trustee) subject to Charter Section 470(c)(12) shall include the following notice in any contract with any subcontractor to receive at least \$100,000 for performance under this Indenture:

"Notice Regarding Restrictions on Campaign Contributions and Fundraising in City Elections.

You are a subcontractor in connection with the Indenture, dated as of December 1, 2021 (the "Indenture"), by and among the Municipal Improvement Corporation of Los Angeles, the City of Los Angeles (the "City") and U.S. Bank National Association, as the Trustee. Pursuant to the City of Los Angeles Charter Section 470(c)(12) and related ordinances, you and your principals are prohibited from making campaign contributions to and fundraising for certain elected City of Los Angeles officials and candidates for elected City office for twelve months after the Dealer Indenture is signed. You are required to provide the names and contact information of your principals to the Trustee and to amend that information within ten business days if it changes during the twelve month time period. Failure to

comply may result in termination of the Dealer Indenture and any other available legal remedies. Information about the restrictions may be found online at ethics.lacity.org or by calling the Los Angeles City Ethics Commission at (213) 978-1960.”

Section 10. Contractor’s Use of Criminal History for Consideration of Employment Applications. The Trustee shall comply with the City’s “Contractor Use of Criminal History for Consideration of Employment Applications” Ordinance, LAAC Section 10.48 et seq., as amended from time to time. Any subcontract entered into by the Trustee for work to be performed under this Indenture must include an identical provision.

Exhibit C – Site Lease

RECORDING REQUESTED BY AND)
WHEN RECORDED MAIL TO:)
)
NIXON PEABODY LLP)
300 South Grand Avenue, Suite 4100)
Los Angeles, California 90071-3151)
Attention: Jade Turner-Bond, Esq.)

(Space above for Recorder's use)

SITE LEASE

Dated as of December 1, 2021

by and between the

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES, as Lessee
AND THE
CITY OF LOS ANGELES, as Lessor

[\$_____]
MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
LEASE REVENUE BONDS, SERIES 2021-C
(CAPITAL EQUIPMENT AND REAL PROPERTY)

NO DOCUMENTARY TRANSFER TAX DUE. This Site Lease is recorded for the benefit of the City of Los Angeles and the recording is exempt under Section 27383 of the California Government Code and Section 11928 of the California Revenue and Taxation Code.

SITE LEASE

THIS SITE LEASE, dated as of December 1, 2021 (the “*Site Lease*”), is made by and between the CITY OF LOS ANGELES, a municipal corporation and charter city in the State of California (the “*City*”), and the MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES, a California nonprofit public benefit corporation (the “*Corporation*”), having an address c/o City Administrative Officer, 200 North Main Street, Room 1500, City Hall East, Los Angeles, California 90012, Attention: Assistant Secretary and Assistant Treasurer.

Section 1. Leased Real Property. The City hereby leases to the Corporation and the Corporation hereby rents from the City all of the City’s right, title and interest in and to the real property and improvements (the “*Real Property*”) described in *Exhibit A* hereto (which *Exhibit A* is hereby incorporated herein by this reference), subject to the following terms and conditions. In consideration of such lease by the City to the Corporation, the Corporation shall sublease the Real Property back to the City pursuant to that certain Lease Agreement, dated as of December 1, 2021 (the “*Lease Agreement*”), by and between the City and the Corporation.

Section 2. Term. The term of this Site Lease shall commence on the Closing Date, and shall end for the respective Real Property on the dates identified in Exhibit B hereto, unless such term is extended or sooner terminated as hereinafter provided. If on such dates the Basic Lease Payments and Additional Payments attributable to the related Real Property and all other amounts then due under the Lease Agreement with respect to such Real Property or any amount remains due and owing with respect to the Bonds, shall not be fully paid, or if the Basic Lease Payments and Additional Payments payable under the Lease Agreement with respect to such Real Property shall have been abated at any time and for any reason, then the term of this Site Lease with respect to such Real Property then-subject to the Lease Agreement shall be extended until ten (10) days after the Basic Lease Payments and Additional Payments attributable to such Real Property and all other amounts then due under the Lease Agreement with respect to such Real Property, and all amount remains due and owing with respect to the Bonds, shall be fully paid except that the term of this Site Lease as to the respective Real Property shall in no event be extended beyond ten (10) years after the date identified with respect thereto. If prior to such date the Basic Lease Payments and Additional Payments attributable to the related Real Property and all other amounts then due under the Lease Agreement with respect to such Real Property shall be fully paid or provision therefor made, the term of this Site Lease with respect to such Real Property shall end ten (10) days thereafter or upon written notice by the City to the Corporation, whichever is earlier; provided that with respect to the Series 2021-C Bonds and any provision for payment being made whether by defeasance or otherwise, this Site Lease shall remain outstanding for federal tax purposes until the actual payment in full of all principal and interest on the Series 2021-C Bonds.

Section 3. Rental. The Corporation shall pay to the City as and for rental hereunder the sum of One Dollar (\$1.00), all of which shall be payable on the Closing Date.

Section 4. Termination. Upon the termination or expiration of this Site Lease, the Corporation shall quit and surrender the Real Property in the same good order and condition as the same was in at the time of commencement of the term hereunder, except for acts of God and reasonable wear and tear and any actions taken by the City that may affect the condition of the

Real Property, and agrees that any permanent improvements and structures existing upon the Real Property at the time of such termination or expiration of this Site Lease shall remain thereon and title thereto shall vest in the City.

Section 5. Ownership. The City represents and covenants that it is the sole owner of and holds fee title to the Real Property free and clear of any encumbrances other than Permitted Encumbrances, and has full power and authority to enter into this Site Lease and the Lease Agreement.

Section 6. Payments and Taxes. The City shall be responsible for all documentary stamps to be affixed to any documents to be recorded pursuant hereto, and for any other tax, recording fees and other expenses payable by reason of the improvement and/or lease of the Real Property.

Section 7. Indemnity. The City agrees to indemnify the Corporation for and to hold the Corporation harmless against any and all claims, taxes, and any and all expenses (including reasonable attorney's fees), losses and liabilities paid, suffered or incurred as a result of such claims, made at any time by any person with regard to the Real Property on or prior to the date hereof or arising on or prior to the date hereof.

Section 8. Purpose. The Corporation shall use the Real Property for the purposes described in the Lease Agreement and for such other purposes as may be incidental thereto.

Section 9. Assignment. The Corporation shall not assign, mortgage, hypothecate or otherwise encumber this Site Lease or any rights hereunder or the leasehold created hereby by trust agreement, indenture or deed of trust or otherwise or sublet the Real Property without the written consent of the City (unless a default or Event of Default under the Lease Agreement or the Indenture shall have occurred and be continuing, in which case the consent of the City shall not be required), except that the City expressly approves and consents to the Lease Agreement, the Assignment Agreement, dated as of December 1, 2021, by and between the Corporation and U.S. Bank National Association, as trustee (the "*Trustee*"), the Indenture, dated as of December 1, 2021 (the "*Indenture*"), by and among the City, the Corporation and the Trustee, the pledge and assignment to the Trustee, and the granting to the Trustee of a security interest in and lien on, all of the Corporation's right, title and interest in and to the Real Property, including the Corporation's right to receive Basic Lease Payments, pursuant to the Indenture.

Section 10. Right of Entry. The City reserves the right for any of its duly authorized representatives to enter upon the Real Property at any reasonable time.

Section 11. Expiration. The Corporation agrees, upon the expiration of this Site Lease, to quit and surrender the Real Property.

Section 12. Quiet Enjoyment. The Corporation at all times during the term of this Site Lease shall peaceably and quietly have, hold and enjoy all of the Real Property.

Section 13. Eminent Domain. If the Real Property shall be taken under the power of eminent domain, the interest of the Corporation shall be recognized and is hereby determined to be the aggregate amount of unpaid Basic Lease Payments and Additional Lease Payments with

respect to the Real Property under the Lease Agreement through the remainder of its term (excluding any contingent or potential liabilities), and such proceeds shall be paid to the Trustee, as assignee of the interest of the Corporation hereunder, in accordance with the terms of the Assignment Agreement, the Lease Agreement and the Indenture.

Section 14. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given such terms in the Lease Agreement.

Section 15. Amendments. Except as set forth below, the City and the Corporation shall not alter, modify or cancel, or agree or consent to alter, modify or cancel this Site Lease excepting only such alteration or modification as may be permitted by Article III of the Indenture.

This Site Lease may be amended without the consent of the Owners of the Bonds for any of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the City or the Corporation, other agreements, conditions, covenants and terms hereafter to be observed or performed by the City or the Corporation, or to surrender any right reserved herein to or conferred herein on the City or the Corporation, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the City or the Corporation may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;

(c) to modify the legal description of the Real Property to add or delete the property description of Real Property, or to provide for substitution, release or addition of Real Property pursuant to the Lease Agreement;

(d) to make any modifications or changes to this Site Lease including any increase or decrease in Basic Lease Payments resulting therefrom in order to enable the execution and delivery of Additional Bonds on a parity with the Series 2021-C Bonds (unless otherwise provided in any Supplemental Indenture) in accordance with Article III of the Indenture and to make any modifications or changes necessary or appropriate in connection with the execution and delivery of Additional Bonds; or

(e) to make any other modification or change to the provisions of this Site Lease which does not materially adversely affect the interests of the Owners of the Bonds.

No change, modification or waiver of any provisions hereof will be valid unless in writing, signed by the party to be bound. This Site Lease will be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, executors, administrators, successors and assignees.

Section 16. No Merger. The parties intend and agree that there shall be no merger of interest in the Real Property on behalf of the City or the Corporation of the City's fee ownership of the Real Property with any interest of the City or the Corporation under this Site Lease or under the Lease Agreement.

Section 17. Section Headings and References. The headings or titles of the several sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to "Sections" and other subdivisions or clauses are to the corresponding sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to the Site Lease as a whole and not to any particular article, section, subdivision or clause hereof.

Section 18. Governing Law. This Site Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 19. Execution in Counterparts. This Site Lease may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have duly executed this Site Lease as of the date first above written.

CITY OF LOS ANGELES, as Lessor

By: _____
Assistant City Administrative Officer

MUNICIPAL IMPROVEMENT CORPORATION OF
LOS ANGELES, as Lessee

By: _____
Assistant Secretary and Assistant
Treasurer

APPROVED AS TO FORM:

Michael N. Feuer,
City Attorney

By: _____
Deputy City Attorney

- Signature Page to Site Lease -

Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds,
Series 2021-C (Capital Equipment and Real Property)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF _____)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature (Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF _____)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature (Seal)

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

SITE 1

**HARBOR COMMUNITY POLICE STATION
(2175 JOHN SOUTH GIBSON BLVD., LOS ANGELES, CA 90731)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

ALL THAT PORTION OF LOT 12, TRACT 3192, AS PER MAP RECORDED IN BOOK 44, PAGES 91 TO 94 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY, STATE OF CALIFORNIA, INCLUDED WITHIN THE LOS ANGELES COUNTY TAX ASSESSOR'S PARCEL NO. 7440-016-911.

SITE 2
HOLLENBECK COMMUNITY POLICE STATION
(2111 EAST 1ST STREET, LOS ANGELES, CA 90033)

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOT 1 AND THE EASTERLY 21 FEET, FRONT AND REAR OF LOT 3, IN BLOCK "L" OF MOORE AND KELLEHER'S SUBDIVISION OF LOTS 5 AND 6, BLOCK 60 OF HANCOCK'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5 PAGE 568 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOT 5 IN BLOCK "L" OF MOORE AND KELLEHER'S SUBDIVISION OF LOTS 5 AND 6 IN BLOCK 60 OF HANCOCK'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5 PAGE 568 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:

LOTS 7 AND 9 IN BLOCK "L" OF MOORE AND KELLEHER'S SUBDIVISION OF LOTS 5 AND 6 IN BLOCK 60 OF HANCOCK'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5 PAGE 568 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOT 11 IN BLOCK "L" OF MOORE AND KELLEHER'S SUBDIVISION OF LOTS 5 AND 6 IN BLOCK 60 OF HANCOCK'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5 PAGE 568 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 5183-006-900, 5183-006-901, 5183-006-903

SITE 3
NORTHEAST COMMUNITY POLICE STATION
(3353 NORTH SAN FERNANDO ROAD, LOS ANGELES, CA 90065)

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOT 62 AND LOT 63 EXCEPT THE SOUTHWESTERLY 30 FEET OF SAID LOT 63, ALL IN THE TREADWELL TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING AND RESERVING TO RUSSELL N. BARTH AND GLORIA J. BARTH, HUSBAND AND WIFE AND ROBERT G. BARMAN AND GERALDINE E. BARMAN, AS TRUSTEES UNDER TRUST AGREEMENT DATED MAY 7, 1979 FOR THE BENEFIT OF THE BARMAN FAMILY, THEIR HEIRS, SUCCESSORS AND ASSIGNS ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS IN, UNDER AND RECOVERABLE FROM THE ABOVE-DESCRIBED REAL PROPERTY, BUT WITHOUT THE RIGHT TO ENTER, DRILL OR PENETRATE IN OR UPON THE SURFACE OF SAID REAL PROPERTY OR WITHIN 500 FEET BELOW THE SURFACE THEREOF FOR THE PURPOSES OF REMOVING SAID CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM, AND ALL KINDRED SUBSTANCES AND OTHER MINERALS, BY DEED RECORDED FEBRUARY 14, 1986 AS INSTRUMENT NO. 86-204598, OF OFFICIAL RECORDS.

PARCEL 2:

THAT PORTION OF THE GLASSELL AND CHAPMAN 2296.11 ACRE ALLOTMENT OF THE PARTITION OF THE RANCHO SAN RAFAEL DISTRICT COURT, CASE NO. 1621, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE NORTHEASTERLY LINE OF SAN FERNANDO ROAD, (66 FEET WIDE), DISTANT SOUTHERLY THEREON 165 FEET FROM THE MOST SOUTHERLY CORNER OF LOT 69 OF THE TREADWELL TRACT, AS PER MAP RECORDED IN BOOK 11 PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE NORTH 46 DEGREES 35 MINUTES 20 SECONDS EAST PARALLEL WITH THE SOUTHEASTERLY LINES OF LOTS 69, 66, 65, 63 AND 62 OF SAID TREADWELL TRACT, A DISTANCE OF 396 FEET, MORE OR LESS, TO A POINT IN THE SOUTHWESTERLY LINE OF THE PARCEL OF LAND CONVEYED TO THE AMERICAN SECURITY AND FIDELITY COMPANY, BY DEED RECORDED IN BOOK 12478 PAGE 251, OFFICIAL RECORDS; THENCE NORTH 39 DEGREES 33 MINUTES 25 SECONDS WEST ALONG THE SOUTHWESTERLY LINE OF THE PARCEL

OF LAND CONVEYED BY SAID DEED, 165 FEET TO A POINT IN THE SOUTHEASTERLY LINE OF LOT 62 OF SAID TREADWELL TRACT; THENCE SOUTH 46 DEGREES 35 MINUTES 20 SECONDS WEST ALONG THE SOUTHEASTERLY LINES OF LOTS 62, 63, 64, 65, 66 AND 69 OF SAID TREADWELL TRACT, 396 FEET, MORE OR LESS, TO THE MOST SOUTHERLY CORNER OF LOT 69 OF SAID TREADWELL TRACT; THENCE SOUTH 39 DEGREES 33 MINUTES 25 SECONDS EAST, ALONG SAN FERNANDO ROAD, 165 FEET TO THE POINT OF BEGINNING.

PARCEL 3:

LOT 65 OF THE TREADWELL TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOTS 66, 67, 68, AND 69 OF THE TREADWELL TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 5:

LOT 64 AND THE SOUTHWESTERLY 30 FEET OF LOT 63, TREADWELL TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11, PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY.

EXHIBIT B

LEASE TERMS

<u>Facility</u>	<u>Term</u>	<u>Maximum Extension</u>
Harbor Community Police Station	[November 1, 2041]	[November 1, 2051]
Hollenbeck Community Police Station	[November 1, 2041]	[November 1, 2051]
Northeast Community Police Station	[November 1, 2041]	[November 1, 2051]

Exhibit D – Lease Agreement

RECORDING REQUESTED BY AND)
WHEN RECORDED MAIL TO:)

)
NIXON PEABODY LLP)
300 South Grand Avenue, Suite 4100)
Los Angeles, California 90071-3151)
Attention: Jade Turner-Bond, Esq.)

(Space above for Recorder's use)

LEASE AGREEMENT

Dated as of December 1, 2021

by and between the

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES, AS LESSOR
AND THE
CITY OF LOS ANGELES, AS LESSEE

[\$ _____]
MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
LEASE REVENUE BONDS, SERIES 2021-C
(CAPITAL EQUIPMENT AND REAL PROPERTY)

NO DOCUMENTARY TRANSFER TAX DUE. This Lease Agreement is recorded for the benefit of the City of Los Angeles and the recording is exempt under Section 27383 of the California Government Code and Section 11928 of the California Revenue and Taxation Code.

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LEASE AGREEMENT

THIS LEASE AGREEMENT, dated as of December 1, 2021 (this "*Lease Agreement*"), is made and entered into by and between the MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, as lessor (the "*Corporation*"), and the CITY OF LOS ANGELES, a charter city and municipal corporation duly organized and existing under the Constitution and laws of said State, as lessee (the "*City*").

WITNESSETH

WHEREAS, the City is authorized pursuant to the laws of the State of California and its charter to lease and acquire real and personal property for municipal purposes; and

WHEREAS, the Corporation is authorized under its Articles of Incorporation and its bylaws to provide assistance to the City for any municipal purpose thereof, including acquiring, constructing, improving, financing or refinancing, any real or personal property or equipment and leasing such real or personal property or equipment for the use, benefit and enjoyment of the public; and

WHEREAS, the Corporation proposes to lease from the City certain land (the "*Land*") owned by the City and more particularly described in the attached *Exhibit A* which is incorporated herein by this reference, and the building and related improvements (the "*Improvements*" and collectively with the Land, the "*Real Property*") located thereon, pursuant to a Site Lease, dated as of the date hereof (the "*Site Lease*"), and sublease the Real Property to the City pursuant to this Lease Agreement; and

WHEREAS, the Corporation proposes to lease to the City certain items of equipment owned by the Corporation and designated from time to time in the Capital Equipment Schedule (the "*Capital Equipment*" and, together with the Real Property, the "*Property*") attached as Exhibit B hereto (which Exhibit B is hereby incorporated herein by this reference) pursuant to this Lease Agreement; and

WHEREAS, the City desires to lease the Property from the Corporation; and

WHEREAS, all acts, conditions and things required by law to exist, to have occurred and to have been performed precedent to and in connection with the execution and entering into of this Lease Agreement do exist, have occurred and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Lease Agreement;

NOW, THEREFORE, in consideration of the above-mentioned premises and personal property and of the mutual agreements and covenants hereinafter contained and for other good and valuable consideration, the receipt of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Lease Agreement have the meanings herein specified. Certain capitalized terms not defined herein shall have the meanings ascribed to them in the Indenture.

“Additional Bonds” means the lease revenue bonds issued from time to time, pursuant to Section 7.3 of this Lease Agreement and Article III of the Indenture.

“Additional Payments” means the amounts payable by the City pursuant to Section 3.7 of this Lease Agreement.

“Assignment Agreement” means the Assignment Agreement, dated as of December 1, 2021, by and between the Corporation and the Trustee whereby the Corporation assigns to the Trustee for the benefit of the Bond Owners certain of the Corporation’s right, title and interest in and to the Site Lease and this Lease Agreement, including the right to receive Basic Lease Payments.

“Basic Lease Payments” means the Series 2021-C Basic Lease Payments.

“Bond” or *“Bonds”* means the Series 2021-C Bonds and any Additional Bonds.

“Bond Counsel” means Nixon Peabody LLP or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to: (i) the tax status under federal laws and regulations of interest on obligations issued by or executed on behalf of states and their political subdivisions, as designated by the City and (ii) municipal obligations.

“Bond Fund” means the Bond Fund established and held by the Trustee pursuant to Sections 4.01 and 5.03 of the Indenture.

“Capital Equipment” means an item or items of capital equipment designated from time to time by the City that are described in the Capital Equipment Schedule, as such Capital Equipment Schedule may be amended or supplemented from time to time in accordance with the terms of this Lease Agreement, and which are being or will be leased to the City pursuant to this Lease Agreement.

“Capital Equipment Schedule” means the Schedule of Capital Equipment attached hereto as *Exhibit B*.

“City” means the City of Los Angeles, a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State.

“City Representative” means the City Administrative Officer or any Assistant City Administrative Officer, or such other employee of the City as the City Administrative Officer or any Assistant City Administrative Officer shall designate in writing, acting on behalf of the City with respect to this Lease Agreement and the Indenture.

“Closing Date” means the day when the Series 2021-C Bonds are issued to the original purchasers thereof.

“Code” means the Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed regulations) promulgated thereunder.

“Corporation” means the Municipal Improvement Corporation of Los Angeles, a nonprofit public benefit corporation duly organized and existing under the Nonprofit Public Benefit Corporation Law of the State, and any successor entity.

“Corporation Representative” means any member of the Board of Directors of the Corporation or the President, Vice President, Secretary, Assistant Secretary or Assistant Treasurer of the Corporation, or any other person authorized by resolution of the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to this Lease Agreement or the Indenture.

“Costs of Issuance” has the meaning given such term in the Indenture.

“Hazardous Materials” has the meaning contained in Section 4.13 hereof.

“Improvements” means, except as otherwise provided herein, the buildings and related improvements located on the Land.

“Indenture” means the Indenture, dated as of December 1, 2021, by and among the Trustee, the City and the Corporation, together with any duly authorized and executed amendments and supplements thereto.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the Trustee or the City.

“Insurance Proceeds and Condemnation Awards Fund” means the fund with such name established and held by the Trustee pursuant to Section 6.07(a) of the Indenture.

“Land” means that certain Land more particularly described in *Exhibit A* attached hereto and incorporated herein by this reference.

“Lease Agreement” means this Lease Agreement together with any duly authorized and executed amendments hereto.

“Lease Payment Date” means the fifteenth (15th) day of April and October in each year during the Term of this Lease Agreement, commencing October 15, 2022, except that if the Principal Corporate Trust Office of the Trustee is not open for business on any such date, then that Lease Payment Date shall be the next day on which such office is open for business.

“Lease Payments” shall mean the Basic Lease Payments and the Additional Payments.

“Net Proceeds” means any insurance proceeds (including self-insurance proceeds), condemnation or eminent domain award, paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“Official Statement” means the Official Statement dated [November __], 2021, relating to the Series 2021-C Bonds.

“Owner” or *“Bond Owner”* or *“Owner of a Bond”*, or any similar terms when used with respect to a Bond means the person in whose name such fully registered Bond shall be registered on the Bond registration books maintained by the Trustee pursuant to Section 2.08 of the Indenture.

“Permitted Encumbrances” means, as of any particular time, (a) as it relates to any Real Property: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of Section 4.1 hereof, permit to remain unpaid; (ii) the Site Lease (including any amendment thereto); (iii) this Lease Agreement (including any amendment thereto); (iv), the Assignment Agreement (including any amendment thereto); (v) the pledge under the Indenture (including any amendment thereto); (vi) any encumbrance, indebtedness and leases permitted under Sections 7.2 and 7.3 hereof; (vii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law or any mechanics or other liens permitted under Section 4.2 hereof; (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions in existence on the Closing Date and as may come into existence after the Closing Date which the City certifies do not materially impair the use of the Real Property; (ix) easements, rights of way and licenses granted to persons who develop or use the real property adjacent to the Real Property which the City certifies will not damage, reduce the fair market value of or materially impair the use of the Real Property; and (x) the leases with tenants of the Real Property in existence as of the Closing Date and as may come into existence after the Closing Date; and (b) as it relates to any Capital Equipment, (i) liens for taxes and assessments not then delinquent, (ii) this Lease Agreement, the Assignment Agreement and the Indenture and in each case any amendments thereto, (iii) the City’s, the Corporation’s and the Trustee’s interest in the Capital Equipment and (iv) liens for unpaid taxes, so long as such liens are being contested in good faith by appropriate proceedings diligently conducted so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of any of the Capital Equipment.

“Principal Corporate Trust Office” means the corporate trust office of the Trustee, in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Property” means, collectively, the Real Property and the Capital Equipment.

“Real Property” means the Land and the Improvements, including all improvements and facilities currently existing thereon, together with all other improvements, facilities and property hereafter acquired, constructed and improved on the Real Property pursuant to Section 4.2 hereof, but excluding improvements or items excluded under Section 4.2 hereof and excluding, for Real Property subleased pursuant to Section 7.2 hereof, new improvements (other than modifications

of existing improvements) subsequently constructed on such subleased Real Property with moneys other than proceeds of the Bonds.

“Rental Period” means each twelve-month period during the Term of this Lease Agreement commencing on November 2 in any year and ending on November 1 in the next succeeding year; except that the first Rental Period during the term of this Lease Agreement shall commence on the Closing Date and end on November 1, 2022.

“Series 2021-C Basic Lease Payments” means the payments required to be made by the City on any date pursuant to Section 3.4 of this Lease Agreement including any prepayment thereof pursuant to Article IX hereof as set forth in Exhibit C-1.

“Series 2021-C Bonds” means the [\$_____] aggregate principal amount of Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) to be issued pursuant to the Indenture.

“Site Lease” means the Site Lease, dated as of December 1, 2021, by and between the City, as lessor, and the Corporation, as lessee, including any amendments thereto, pursuant to which the City leases the Real Property to the Corporation.

“State” means the State of California.

“Supplemental Indenture” means a Supplemental Indenture entered into pursuant to Article III or Article VIII of the Indenture.

“Term of this Lease Agreement” or *“Term”* means the time during which this Lease Agreement is in effect, as provided for in Section 3.2 hereof.

“Trustee” means U.S. Bank National Association, a national banking association duly organized and validly existing under the laws of the United States of America, or any successor thereto acting as Trustee pursuant to the Indenture.

Section 1.2. Exhibits. The following Exhibits are attached to, and by reference made a part of, this Lease Agreement:

EXHIBIT A: Description of the Land.

EXHIBIT B: Capital Equipment Schedule

EXHIBIT C-1: Schedule of Series 2021-C Bonds Aggregate Basic Lease Payments

Exhibit C-2: Schedule of Basic Lease Payments for Each Real Property

Exhibit C-3: Schedule of Basic Lease Payments for Capital Equipment

Exhibit D: Lease Terms for Real Property

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the City. The City represents, covenants and warrants to the Corporation as follows:

(a) ***Due Organization and Existence.*** The City is a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State.

(b) ***Authorization.*** The Constitution and laws of the State and the Charter of the City empower the City to enter into this Lease Agreement, to enter into the transactions contemplated hereby and to carry out its obligations under this Lease Agreement, and the City has duly authorized, executed and delivered this Lease Agreement.

(c) ***No Violations.*** Neither the execution and delivery of this Lease Agreement, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon the Property, except Permitted Encumbrances.

(d) ***Operation and Maintenance.*** The City assumes full responsibility for the safety and any consequences of lack of safety with respect to the operation and maintenance of the Capital Equipment.

Section 2.2. Representations, Covenants and Warranties of the Corporation. The Corporation represents, covenants and warrants to the City as follows:

(a) ***Due Organization and Existence.*** The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the laws of the State and has full legal power to own, hold, improve and equip real and personal property, and to lease and sell the same. The Corporation has the power to enter into this Lease Agreement, to enter into the transactions contemplated hereby and to carry out its obligations under this Lease Agreement, and the Corporation, by proper actions of its board of directors, has duly authorized the execution and delivery of this Lease Agreement.

(b) ***No Encumbrances.*** The Corporation owns the Capital Equipment free and clear of any pledge, lien, charge, encumbrance or claim on or with respect to the Capital Equipment, other than the respective rights of the Trustee and the City as provided herein and in the Indenture and the Assignment Agreement and subject to Permitted Encumbrances. The Corporation will not pledge the Basic Lease Payments or other amounts derived from the Property and from its other rights under this Lease Agreement, and will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, other than the respective rights of the Trustee and the City as provided herein and in the Indenture and the Assignment Agreement and subject to Permitted Encumbrances. Except as expressly provided in this Lease Agreement, the Corporation shall

promptly take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time.

(c) **No Violations.** Neither the execution and delivery of this Lease Agreement, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon the Property, except Permitted Encumbrances.

Section 2.3. Tax Covenants. The City and the Corporation hereby covenant and agree that neither the Corporation nor the City will take any action that would cause interest on the Series 2021-C Bonds to be or to become ineligible for the exclusion from gross income of the owner or owners thereof for federal income tax purposes, nor will it omit to take or cause to be taken, in a timely manner, any action, which omission would cause interest on the Series 2021-C Bonds to be or to become ineligible for the exclusion from gross income of the owner or owners thereof for federal income tax purposes.

ARTICLE III

AGREEMENT TO LEASE; TERMINATION OF THIS LEASE; LEASE PAYMENTS

Section 3.1. Lease.

(a) **Real Property.** The Corporation hereby subleases the Real Property to the City, and the City hereby subleases the Real Property from the Corporation, on the terms and conditions hereinafter set forth. The City hereby agrees and covenants during the Term of this Lease Agreement that, except as hereinafter expressly provided, it will use the Real Property solely for public and municipal purposes so as to afford the public the benefit contemplated by this Lease Agreement and so as to permit the Corporation to carry out its agreements and covenants contained in the Indenture and further agrees that it shall not abandon the Real Property.

(b) **Capital Equipment.** The Corporation hereby leases the Capital Equipment to the City, and the City hereby leases the Capital Equipment from the Corporation, on the terms and conditions hereinafter set forth. The City hereby agrees and covenants during the Term of this Lease Agreement that, except as hereinafter expressly provided, it shall use the Capital Equipment solely for public and municipal purposes so as to afford the public the benefit contemplated by this Lease Agreement and so as to permit the Corporation to carry out its agreements and covenants contained in the Indenture and further agrees that it shall not abandon the Capital Equipment.

Section 3.2. Term of Agreement.

(a) **Real Property.** With respect to the Real Property, the Term of this Lease Agreement shall commence on the Closing Date hereof, and shall end for the respective Real Property on the dates specified in Exhibit D hereto, unless such term is extended or sooner terminated as hereinafter provided. If on such dates, any amount remains due and owing with respect to the Bonds, or if the Basic Lease Payments and Additional Payments hereunder shall

have been abated at any time and for any reason, then the term of this Lease Agreement with respect to the Real Property then-subject to this Lease Agreement shall be extended until ten (10) days after the Basic Lease Payments and Additional Payments and all other amounts then due hereunder with respect to such Real Property shall be fully paid, except that the term of this Lease Agreement as to the respective Real Property shall in no event be extended beyond ten (10) years after the date identified with respect thereto. If prior to such date specified in Exhibit D, all Basic Lease Payments and all Additional Payments and all other amounts then due hereunder, and all amounts due and owing with respect to the Bonds, shall be fully paid, or provision therefor made, the term of this Lease Agreement with respect to such Real Property shall end ten (10) days thereafter or upon written notice by the City to the Corporation, whichever is earlier; provided that with respect the Series 2021-C Bonds and any provision for payment being made whether by defeasance or otherwise, this Lease Agreement shall remain outstanding for federal tax purposes until the actual payment in full of all principal and interest on the Series 2021-C Bonds.

Upon the expiration of the term of this Lease Agreement with respect to a particular Real Property pursuant to the preceding paragraph, the respective Real Property shall be released from this Lease Agreement without compliance with the release requirements set forth in Section 4.12 below; provided that no Real Property shall be released from this Lease Agreement (i) if, after giving effect to the release of such Real Property, a Default or Event of Default would occur hereunder or under the Indenture, and (ii) unless the City has delivered a certificate to the Trustee stating that (a) no event giving rise to an abatement under Section 5.3 has occurred and is continuing on any of the Real Property then-subject to this Lease Agreement or (b) the total of all remaining Lease Payments in each Rental Period for all Property is at least equal to the total fair rental value of all Property in each such Rental Period.

(b) ***Capital Equipment.*** With respect to the Capital Equipment, the Term of this Lease Agreement shall commence on the Closing Date hereof, and shall end on [November 1, 2031] unless such term is otherwise terminated or extended as hereinafter provided. If on [November 1, 2031], the Bonds shall not be discharged by their terms, or if the Basic Lease Payments and Additional Payments hereunder shall have been abated at any time and for any reason, then the Term of this Lease Agreement, with respect to the Capital Equipment, shall be extended until the Indenture shall be discharged by its terms (but not later than [November 1, 2041]). If prior to [November 1, 2031], the Indenture shall be discharged by its terms, the Term of this Lease Agreement shall thereupon end.

Section 3.3. Possession. The City agrees to accept possession and use of the Property as the owner of the leasehold interest thereof on the Closing Date, and shall pay the first Basic Lease Payment with respect to the Property on October 15, 2022.

Section 3.4. Lease Payments, Basic Lease Payments.

(a) ***Obligation to Pay.*** Subject to the provisions of Articles V and IX hereof, the City agrees to pay to the Corporation, its successors and assignees, as rental for the use and occupancy of the Real Property and use and possession of the Capital Equipment during each Rental Period, the Basic Lease Payments for all of the Property in the respective amounts specified in *Exhibits C-2 and C-3*, to be due and payable on the respective Lease Payment Dates specified in *Exhibits C-2 and C-3*, plus the Additional Payments required under Section 3.7 hereof. Any

amount held in the Series 2021-C Interest Account or the Series 2021-C Principal Account on any Lease Payment Date (other than amounts resulting from the prepayment of the Basic Lease Payments in part but not in whole pursuant to Article IX hereof and other amounts required for payment of past due principal of or interest on any Bonds not presented for payment or otherwise) shall be credited towards the Basic Lease Payment next due and payable; and no Basic Lease Payment need be made on any Lease Payment Date if the amounts then held in the Series 2021-C Interest Account and the Series 2021-C Principal Account and available for such purpose are at least equal to the Basic Lease Payment then required to be paid. The Lease Payments for the Property payable in any Rental Period shall be for the use of such Property for such Rental Period. Notwithstanding any dispute between the Corporation and the City, the City shall make all Basic Lease Payments when due and shall not withhold any Basic Lease Payment pending final resolution of the dispute.

(b) ***Effect of Prepayment.*** If the City pays or provides for the payment of all remaining Lease Payments in full pursuant to Article IX, the City's obligations under this Lease Agreement shall thereupon cease and terminate, including but not limited to the City's obligation to pay Basic Lease Payments under this Section 3.4, subject however, to the provisions of Section 9.1 in the case of payment by application of a security deposit. If the City prepays the Lease Payments in part but not in whole pursuant to Section 9.2 as an optional prepayment or Section 9.3 as a result of any insurance, condemnation or eminent domain award with respect to the Property, such prepayment shall be credited entirely towards the prepayment of the Lease Payments allocable to such Property as follows: (i) Additional Payments due or to become due pursuant to Section 3.7 attributable to such Property shall be paid or provided for through the date of such deposit, (ii) the principal components of each remaining Basic Lease Payment shall be reduced on a pro rata basis in integral multiples of \$5,000; and (iii) the interest component of each remaining Basic Lease Payment attributable to such Property shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds thereby redeemed pursuant to Section 2.03(a) or (b) of the Indenture. Notwithstanding the foregoing, prior to the termination of the City's obligations under this Lease Agreement, the Trustee must have received an opinion of Bond Counsel to the effect that the provision for such prepayment and release of this Lease Agreement pursuant to this Section shall not adversely affect the Owners of the Bonds that are issued on a tax-exempt basis for federal income tax purposes as provided by Section 10.01 of the Indenture.

(c) ***Overdue Payments.*** If the City should fail to make any of the Basic Lease Payments required in this Section 3.4, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid.

(d) ***Fair Rental Value.*** The Lease Payments for the Property for each Rental Period shall constitute the total rental for such Property for such Rental Period, and shall be paid by the City in each Rental Period for and in consideration of the right of the use of, and the continued quiet use and enjoyment of, the Property during such Rental Period. The parties hereto have agreed and determined that the total of all Lease Payments for the Property is not greater than the total fair rental value of the Property. Further, the Lease Payments for the Property for each Rental Period do not exceed the fair rental value of the Property for such Rental Period. In making such determination, consideration has been given to the costs of acquisition and financing of the Capital Equipment, the appraised or market value of the Property, the insured value of the Property,

the cost of improvements made or to be made to the Property, the current and future value of rent paid by tenants of the Real Property other than the City, other obligations of the parties under this Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the City and the general public.

(e) ***Budget and Appropriation.*** The City covenants to take such action as may be necessary to include all Lease Payments due hereunder in its annual budgets and to make the necessary annual appropriations for all such Lease Payments. In so providing for the payment of Lease Payments in its annual budgets, the City may take into account moneys on deposit in the various funds and accounts under the Indenture that are properly available to make Lease Payments. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the City. The obligations of the City to make Basic Lease Payments or Additional Payments do not constitute obligations 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. Neither the Bonds nor the obligation of the City to make Basic Lease Payments or Additional Payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

(f) ***Assignment.*** The City understands and agrees that this Lease Agreement and the right to receive all Basic Lease Payments have been assigned by the Corporation to the Trustee in trust for the benefit of the Owners of the Bonds pursuant to the Assignment Agreement and the Indenture, and the City hereby consents to such assignment. The Corporation hereby directs the City, and the City hereby agrees, to pay to the Trustee at the Principal Corporate Trust Office of the Trustee all payments payable by the City pursuant to this Section 3.4 and all amounts payable by the City pursuant to Article IX.

Section 3.5. Quiet Enjoyment. During the Term of this Lease Agreement, the Corporation shall provide the City with quiet use and enjoyment of the Real Property and enjoyment of the Capital Equipment, and the City shall during such Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Corporation, except as expressly set forth in this Lease Agreement. The Corporation shall, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation shall have the right to inspect the Property as provided in Section 6.2.

Section 3.6. Leasehold Interest. During the Term of this Lease Agreement, the Corporation shall hold a leasehold interest in the Real Property and an ownership interest in the Capital Equipment. If the City prepays the Lease Payments for all of the Property in full pursuant to Article IX or makes the advance deposit permitted by Section 9.1, or pays all Lease Payments for all of the Property during the Term of this Lease Agreement as the same become due and payable, all right, title and interest of the Corporation in and to the Property shall be transferred to and vested in the City and the Site Lease and this Lease Agreement shall terminate with respect to such Property.

Section 3.7. Additional Payments. In addition to the Basic Lease Payments, the City shall pay as Additional Payments (i) all taxes, fees or assessments levied upon the Real Property or upon any interest therein of the Corporation or the Trustee, (ii) all taxes, fees or assessments levied upon it with respect to ownership, leasing, subleasing, rental, sale, purchase, possession or use of the Capital Equipment, (iii) insurance premiums, if any, on insurance required under this Lease Agreement, (iv) all fees and expenses of the Trustee, and expenses of the City required to comply with this Lease Agreement and the Indenture, (v) any other fees, costs, or expenses incurred by the Corporation in connection with the execution, performance or enforcement of this Lease Agreement or the Indenture, including any amounts necessary to indemnify and defend the Corporation, and (vi) any amounts required to be paid to the United States government pursuant to section 148 of the Code, if applicable.

Additional Payments due under this Section shall be paid by the City directly to the person or persons to whom such amounts shall be payable. The City shall pay all such amounts when due or within thirty (30) days after notice in writing from the Trustee to the City stating the amount of Additional Payments then due and payable and the purpose thereof.

ARTICLE IV

MAINTENANCE; TAXES; INSURANCE AND OTHER MATTERS

Section 4.1. Maintenance; Utilities, Taxes and Assessments. During the Term of this Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the City. In exchange for the Lease Payments herein provided, the Corporation agrees to lease the Property to the City. The City shall, at its own expense, during the Term of this Lease Agreement maintain the Property, or cause the same to be maintained, in good order, condition and repair and shall replace any portion of the Property which is lost, stolen or destroyed, as applicable; *provided* that the City shall not be required to repair or replace any such portion of the Property pursuant to this Section 4.1 if there shall be applied to the prepayment of Basic Lease Payments Net Proceeds or other available budgeted or appropriated funds sufficient to prepay (i) all of the Bonds Outstanding or (ii) any portion thereof relating to the Property or such portion thereof and the Basic Lease Payments allocable to the remaining portion of the Property shall be sufficient to pay principal of and interest on the Bonds Outstanding after such prepayment. The City shall provide or cause to be provided all mechanical, security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Property, as applicable. It is understood and agreed that in consideration of the payment by the City of the rental herein provided for, the City is entitled to occupy and use the Real Property and use and possess the Capital Equipment, and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Property during the Term of this Lease Agreement. The Corporation shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Property. The City hereby expressly waives the right to make repairs or to perform maintenance of the Property at the expense of the Corporation and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating thereto. The City shall pay for the furnishing of all utilities which may be used in or upon the Real Property during the Term of this Lease Agreement. Such payment shall be made by the City directly to the respective utility companies

furnishing such utility services or products, under such contract or contracts therefor as the City may make.

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

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

Section 4.2. Modification of Real Property. The City shall, at its own expense, have the right to make additions, modifications and improvements to the Real Property. All such additions, modifications and improvements, including those which comprise fixtures, repairs, replacements, additions or modifications to the Real Property shall thereafter comprise part of the Real Property and be subject to the provisions of this Lease Agreement, except for (i) those fixtures, repairs, replacements or modifications which are added to the Real Property by the City at its own expense and which may be removed without damaging the Real Property, and (ii) any items added to the Real Property by the City pursuant to Section 4.10 hereof. The City shall have the right to conduct a survey of any parcel of land constituting a portion of the Real Property and to alter or change the boundaries of said parcel as a result of said survey so long as such change or alteration does not interfere with the improvements constructed on said parcel and so long as, after giving effect to such change or alteration, the Property does not have a fair rental value in each Rental Period less than the Basic Lease Payments in each such Rental Period. Additions, modifications and improvements shall not cause the Real Property to be used for purposes other than those authorized under the provisions of State and federal law; and such Real Property, upon completion of any additions, modifications and improvements made thereto pursuant to this Section, shall have a fair rental value which is approximately equal to or greater than the fair rental value of the Real Property immediately prior to the making of such additions, modifications and improvements. The City shall not permit any mechanic's lien or other lien to be established or remain against the Real Property for labor or materials furnished in connection with any repair or replacements made by the City pursuant to this Section; *provided* that if any such lien is established and the City shall first notify the Corporation (or cause the Corporation to be notified) of the City's intention to do so, the City may in good faith contest any lien filed or established against the Real 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 Corporation with full security against any loss or forfeiture which might arise from the

nonpayment of any such item, in form satisfactory to the Corporation. The Corporation shall cooperate fully in any such contest, upon the request and at the expense of the City.

Section 4.3. Public Liability and Property Damage Insurance. The City shall maintain or cause to be maintained, commencing upon its possession of the Property pursuant to this Lease Agreement and thereafter throughout the Term of this Lease Agreement, a program of general liability insurance protecting the Corporation, the City, and their respective officers, directors, agents, assignees and employees. Such program shall provide for indemnification of said parties against loss or liability for damages for bodily and personal injury, death or property damage occasioned by use of the Property. Such insurance may be satisfied by a risk retention program.

Section 4.4. Fire and Extended Coverage Insurance for Real Property. The City shall procure and maintain, or cause to be procured and maintained, commencing upon its possession of the Real Property pursuant to this Lease Agreement, and thereafter throughout the Term of this Lease Agreement, insurance against loss or damage to any structures or equipment constituting any part of the Real Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, which coverage may exclude earthquake insurance.

In the event of any uninsured loss to the Real Property resulting from earthquake, (a) the City shall apply for and use its best efforts to obtain financial assistance from the United States of America to be used for the repair, reconstruction or replacement of such Real Property, and (b) the City shall repair or replace the Real Property or defease the outstanding Bonds from moneys, if any, legally available therefor.

Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the lesser of the Outstanding principal amount of the Bonds and 100% of the replacement cost of the Real Property (including all improvements thereon) (it being understood and agreed that in the event of the loss of all or a portion of such Real Property and the redemption of all or a portion of the Bonds from the Net Proceeds of such insurance, that the remaining Real Property shall have a fair rental value equal to or exceeding the remaining Lease Payments). Such insurance may be subject to commercially reasonable deductible clauses. Such insurance may be satisfied by a combination of commercial insurance, risk pooling under a joint powers authority or similar statutory provision, self-funded loss reserves and, to the extent permitted by law, risk retention programs all in such proportions as are deemed appropriate by professional risk management personnel or independent consultants. The City shall include in its annual budget an item to provide funds for commercial insurance covering physical property damage to the Real Property.

Without limiting the specific purposes of the budgeted item mentioned above, the City covenants that it shall use such budgeted funds, other available budgeted or appropriated funds, and the proceeds of any purchased insurance to accomplish one of the following purposes in the event of the loss or destruction of or unrepaired damage to any portion of the Real Property which would otherwise result in abatement of all or a portion of the Basic Lease Payments:

(i) to repair diligently the affected Real Property or acquire or construct replacement Real Property (in each case, at the City's cost) having a useful life not less than the remaining Term of the Real Property so lost, destroyed or damaged to be and become subject to this Lease Agreement at a cost such that the fair rental value of all Property leased pursuant to this Lease Agreement (including such replacement Real Property) for each remaining Rental Period is not less than the Lease Payments for each Rental Period over the remaining Term of this Lease Agreement;

(ii) to deposit with the Trustee, as assignee of the Corporation, in a special account to be held in trust by the Trustee, an amount (not less than \$50,000) sufficient, under Section 9.3 of this Lease Agreement, to purchase the portion of the Real Property so destroyed or irreparably damaged, and to instruct the Trustee at the time of said deposit that said amount is to be used as a special fund for prepayment of Basic Lease Payments pertaining to the Real Property destroyed or irreparably damaged; or

(iii) to apply such funds in accordance with Section 5.2 of this Lease Agreement and Section 6.07 and 2.03(a) of the Indenture to redeem Bonds so that the Basic Lease Payments to be made on the remaining Property will be sufficient to pay principal of and interest on the Bonds that remain Outstanding and will not exceed the fair rental value for each Rental Period over the remaining Term of this Lease Agreement.

To the extent that an event of loss, destruction or unrepaired damage should result in an abatement of Basic Lease Payments pending the acquisition of replacement Real Property pursuant to Section 4.4(i) above, the City may substitute replacement Property for the Real Property so lost, destroyed or damaged to be and become subject to this Lease Agreement, such replacement Property having a fair rental value such that the fair rental value of the Property leased pursuant to this Lease Agreement (including such replacement Property) for each remaining Rental Period is not less than the Lease Payments for each Rental Period over the remaining Term of this Lease Agreement. The City may also make such a substitution of Property as an alternative to taking the actions described in Section 4.4(i) and (ii) herein.

Section 4.5. Collision and Extended Coverage Insurance. The City shall procure and maintain, cause to be procured and maintained or include within its risk retention program, commencing upon its possession of the Capital Equipment pursuant to this Lease Agreement, and thereafter throughout the Term of this Lease Agreement for the Capital Equipment, insurance against loss or damage to any part of the Capital Equipment by collision, fire, loss and theft, with extended coverage and vandalism and malicious mischief insurance.

Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by such hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the lesser of the Outstanding principal amount of the Bonds and 100% of the replacement cost of the Capital Equipment (including all modifications thereon) (it being understood and agreed that in the event of the loss of all or a portion of such Capital Equipment and the redemption of all or a portion of Bonds from the Net Proceeds of such insurance, that the remaining Capital Equipment together with any Real Property shall have a fair rental value equal to or exceeding the remaining Lease Payments). Such insurance, if commercially obtained, may be subject to deductible clauses of not to exceed \$100,000 for any one loss. Such insurance may be satisfied by

a combination of commercial insurance, risk pooling under a joint powers authority or similar statutory provision, self-funded loss reserves and, to the extent permitted by law, risk retention programs all in such proportions as are deemed appropriate by professional risk management personnel or independent consultants. The City shall include in its annual budget an item to provide funds for commercial insurance covering physical property damage to the Capital Equipment, if commercial insurance is obtained.

The City covenants that it shall use such budgeted funds, other available budgeted or appropriated funds and the proceeds of any purchased insurance to accomplish one of the following purposes in the event of the loss or destruction of or unrepaired damage to any portion of the Capital Equipment which would otherwise result in abatement of all or a portion of the Basic Lease Payments:

(i) to repair diligently the affected Capital Equipment or acquire replacement Capital Equipment (in each case, at the City's cost) having a useful life not less than the remaining Term of the Capital Equipment so lost, destroyed or damaged to be and become subject to this Lease Agreement at a cost such that the fair rental value of the Property leased pursuant to this Lease Agreement (including any replacement Property) for each remaining Rental Period is not less than the Lease Payments for each Rental Period over the remaining Term of this Lease Agreement;

(ii) to deposit with the Trustee, as assignee of the Corporation, in a special account to be held in trust by the Trustee, an amount (not less than \$50,000) sufficient, under Section 9.3 of this Lease Agreement, to purchase the portion of the Capital Equipment so destroyed or irreparably damaged, and to instruct the Trustee at the time of said deposit that said amount is to be used as a special fund for prepayment of Basic Lease Payments pertaining to the Capital Equipment destroyed or irreparably damaged; or

(iii) to apply such funds in accordance with Section 5.2 of this Lease Agreement and Section 6.07 and 2.03(a) of the Indenture to redeem Bonds so that the Basic Lease Payments to be made on the remaining Property shall be sufficient to pay principal of and interest on the Bonds that remain Outstanding and will not exceed the fair rental value for each Rental Period over the remaining Term of this Lease Agreement.

To the extent that an event of loss, destruction or unrepaired damage should result in an abatement of Basic Lease Payments pending the acquisition of replacement Capital Equipment pursuant to Section 4.5(i) above, the City may substitute replacement Property for the Capital Equipment so lost, destroyed or damaged to be and become subject to this Lease Agreement, such replacement Property having a fair rental value such that the fair rental value of the Property leased pursuant to this Lease Agreement (including such replacement Property) for each remaining Rental Period is not less than the Lease Payments for each Rental Period over the remaining Term of this Lease Agreement. The City may also make such a substitution of Property as an alternative to taking the actions described in Section 4.5(i) and (ii) herein.

Section 4.6. Rental Interruption Insurance. The City shall procure and maintain, commencing upon its possession of the Property pursuant to this Lease Agreement, and throughout the Term of this Lease Agreement, rental interruption or use and occupancy insurance to cover

loss, total or partial, of the use of any part of the Property for a period of 24 months during the Term of this Lease Agreement as a result of any of the hazards covered in the insurance required by Section 4.4 hereof, in an amount to insure against loss of substantial use and possession of the Property. The provider of such insurance shall be rated at least "A" by A.M. Best & Company. The Trustee shall be the beneficiary under such policy and any amounts received thereunder shall be credited towards the Lease Payments in the order in which such Lease Payments come due and payable.

Section 4.7. Title Insurance. The City shall obtain, at its own expense, on or before commencement of the Term of this Lease Agreement, a California Land Title Association ("CLTA") title insurance policy, or policies, in the amount equal to the aggregate principal component of the Basic Lease Payments attributable to the Real Property, insuring the Corporation's leasehold estate in the Real Property, subject only to Permitted Encumbrances. All Net Proceeds received under the policy, or policies, shall be deposited with the Trustee and shall be credited towards the prepayment of the remaining Lease Payments pursuant to Section 9.3 hereof.

Section 4.8. Insurance Net Proceeds; Form of Policies; Certificates of Effectiveness. Each policy of insurance required by Article IV hereof shall name the Trustee as a loss payee as its interests may appear and shall provide that all proceeds thereunder shall be payable to the Trustee and applied as provided in Section 5.2. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement, and shall promptly furnish or cause to be furnished to the Trustee on or before September 1 annually a certificate of a City Representative stating that such payments have been made and that the insurance policies required by this Lease Agreement are in force and effect. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

Section 4.9. Advances. If the City shall fail to perform any of its obligations under this Article, the Corporation may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the City shall be obligated to repay all such advances as Additional Payments as soon as possible (or, if less, at the maximum rate permitted by law) from the date of the advance to the date of repayment.

Section 4.10. Installation of City's Personal Property. The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the City, in which neither the Corporation nor the Trustee shall have any interest, and such items may be modified or removed by the City. Nothing in this Lease Agreement shall prevent the City from purchasing or leasing items to be installed pursuant to this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, *provided* that no such lien or security interest shall attach to any part of the Property.

Section 4.11. Liens. The City shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, other than the respective rights of the Corporation and the City as herein provided, and Permitted Encumbrances. Except as expressly provided in this Article, the City shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The City shall reimburse the Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 4.12. Addition, Substitution, Release of Property. The City shall, at any time, have the right to add, substitute or release all or a portion of the Property currently constituting the Property (in such case the substitute Property shall mean the former Property less any portion released pursuant to this Section) for other property of an annual fair rental value such that the aggregate annual fair rental value of the Property after such substitution or release equals or exceeds the highest annual Basic Lease Payments due in any remaining Rental Period, of a comparable essential nature to the City, but only by providing the Trustee with (a) a written certificate describing both the new Property and the Property for which it is to be substituted, and stating that such portion of Property is of an annual fair rental value such that the aggregate annual fair rental value of all of the Property after giving effect to such substitution or release equals or exceeds the Basic Lease Payments due in each remaining Rental Period, and is of a comparable essential nature to the City, and (b) an executed amendment to this Lease Agreement and, if the amendment itself is not to be recorded in the county registry, an executed and acknowledged memorandum of lease for the new Property, if such new Property is Real Property. All costs and expenses incurred in connection with such substitution or release including without limitation the cost of acquiring such Property, shall be borne by the City. In the event of such substitution, the Property substituted for the original Property shall become fully subject to the terms hereof, and the City shall obtain, in the case of new Property that is Real Property, a policy of CLTA title insurance insuring the Corporation's leasehold estate in the new Real Property so that the combined policies of CLTA title insurance on all of the leasehold estate(s) in the Property subject to this Lease Agreement will be not less than the aggregate principal amount of Outstanding Bonds. Notwithstanding any substitution or release of Property pursuant to this Section, there shall be no reduction in the Basic Lease Payments due from the City hereunder and no such substitution or release of Property shall occur if the Property being leased under this Lease Agreement after giving effect to such substitution or release would have a fair rental value in any Rental Period of less than the Lease Payments in each such Rental Period.

Section 4.13. Hazardous Waste. The City shall not cause or permit the Real Property or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable federal, State and local laws or regulations, nor shall the City cause or permit, as a result of any intentional or unintentional act or omission on the part of the City or any tenant or subtenant, a release of Hazardous Materials onto the Real Property. The City shall comply with and ensure compliance by all tenants and subtenants with all applicable federal, State and local laws, ordinances, rules and regulations, whenever and by whomever triggered, and shall obtain and comply with, and ensure that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder. The City shall (i) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal, and other actions necessary to clean up and

remove all Hazardous Materials, on, from, or affecting the Real Property (A) in accordance with all applicable federal, State and local laws, ordinances, rules, regulations, and policies, (B) to the satisfaction of the Trustee, and (C) in accordance with the orders and directives of all federal, State and local governmental authorities, and (ii) defend, indemnify, and hold harmless the Trustee from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (A) the presence, disposal, release, or threatened release of any Hazardous Materials which are on, from, or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise, (B) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, and/or (C) any violation of laws, orders, regulations, requirements or demands of government authorities, or any policies or requirements of the mortgage trustee, which are based upon or in any way related to such Hazardous Materials including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. In the event that the Trustee elects to control, operate, sell or otherwise claim property rights in the Real Property, the City shall deliver the Real Property free of any and all Hazardous Materials so that the conditions of the Real Property shall conform with all applicable federal, State and local laws, ordinances, rules or regulations affecting the Real Property. Prior to any such delivery of the Real Property, the City shall pay the Trustee, from its own funds, any amounts then required to be paid under subsection (ii) above. For purposes of this paragraph, "Hazardous Materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. §§ 9601 et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. §§ 1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. §§ 9601 et seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, State or local environmental law, ordinance, rule, or regulation.

Section 4.14. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate in accordance with its terms. Notwithstanding any other provision of this Lease Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder. However, the Trustee, upon payment of its fees and expenses, including counsel fees and expenses, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any Owner or Beneficial Owner 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 Section 4.14.

ARTICLE V

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 5.1. Damage; Eminent Domain. The City covenants that if the Property is damaged in a manner which substantially interferes with its use, such Property shall be promptly repaired or replaced at the City's expense, unless (a) such damage, together with other components

of the Property lost, damaged or destroyed, would not result in the abatement of any portion of the Lease Payments because, for example, the fair rental value of the remaining useable Property is sufficient to support the Lease Payments unabated, or (b) the City elects to apply the Net Proceeds of insurance and any other legally available funds to the redemption of Bonds pursuant to Sections 6.07 and 2.03(a) of the Indenture such that the Basic Lease Payments for the undamaged Property will be sufficient to pay principal of and interest on the Bonds that remain Outstanding. If all of the Property shall be taken permanently under the power of condemnation or eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily, under the power of eminent domain, (i) this Lease Agreement shall continue in force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (ii) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any condemnation or eminent domain award to the prepayment of the Lease Payments hereunder, in an amount to be agreed upon by the City and the Corporation such that the resulting Lease Payments do not exceed fair rental value for the use and occupancy or possession of the remaining usable portion of the Property.

Section 5.2. Application of Net Proceeds.

(a) ***From Insurance Proceeds.*** The Net Proceeds of any insurance award resulting from any loss of, damage to or destruction of the Property by fire or other casualty shall be deposited in the Insurance Proceeds and Condemnation Awards Fund held by the Trustee promptly upon receipt thereof and applied as set forth in Section 6.07 of the Indenture.

(b) ***From Eminent Domain Award.*** The Net Proceeds of any condemnation or eminent domain award resulting from any event described in Section 5.1 hereof shall be deposited in the Insurance Proceeds and Condemnation Awards Fund and applied as set forth in Section 6.07 of the Indenture.

Section 5.3. Abatement of Rent. Lease Payments shall be abated during any period in which by reason of loss, damage, destruction, title defect or otherwise (other than by condemnation or eminent domain which is provided for above) there is substantial interference with the use and possession or occupancy by the City of the Property, so that the remaining Lease Payments then due for use of the Property that was not affected are not greater than the fair rental value for use of the unaffected Property. The City and the Corporation shall calculate the rental abatement amount on an annual basis taking into account the entire twelve-month period commencing November 2 within which the damage or destruction occurs. If at any time it shall be necessary to calculate rental abatement, for purposes of calculation for any twelve-month period commencing November 2 and ending on the immediately following November 1, the total amount of Lease Payment payable within such twelve-month period shall be divided by 365 days (except for leap years, in which case the divisor shall be 366 days). The maximum amount of daily rental abatement for such twelve-month period shall not exceed the result of such calculation. Such abatement shall continue for the period commencing with such interruption of use and ending with the substantial completion of the work of repair or reconstruction or replacement. In the event of any such interruption of use, this Lease Agreement shall continue in full force and effect and the Lease Payments shall not be subject to abatement under this Section 5.3 to the extent that the

proceeds of rental interruption insurance pursuant to Section 4.6 or amounts otherwise in the Bond Fund are available to pay Lease Payments which would otherwise be abated under this Section 5.3, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

ARTICLE VI

DISCLAIMER OF WARRANTIES; ACCESS

Section 6.1. Disclaimer of Warranties. The Capital Equipment is delivered as is and the Corporation and its assignees make no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Property, or any other representation or warranty with respect to the Property. In no event shall the Corporation or its assignees be liable for any actual, incidental, indirect, special or consequential or other damages, in connection with or arising out of the Lease Agreement or the existence, furnishing, functioning or the City's use of the Property.

Section 6.2. Access to the Property. The City agrees that the Corporation and any Corporation Representative, and the Corporation's successors or assignees, shall have the right at all reasonable times to inspect the Property. The City further agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assignees, shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the City to perform its obligations hereunder; *provided, however*, that neither the Corporation nor the Corporation's assignees shall have any obligation to cause such proper maintenance.

Section 6.3. Contractor's Warranties. The Corporation hereby assigns to the City for and during the Lease Agreement Term all of its interest in all manufacturer's or vendor's warranties and guarantees, express or implied, issued on or applicable to the Capital Equipment, if any, and the Corporation hereby authorizes the City to obtain the customary services furnished in connection with such warranties and guarantees at the City's expense. The City expressly acknowledges that the Corporation does not make, and has not made, any representation or warranty whatsoever as to the existence or availability of such contractor warranties or guarantees.

Section 6.4. Selection of Capital Equipment. The Capital Equipment has been selected by the City, and the Corporation has not had any responsibility and shall have no responsibility in connection with the selection of the Capital Equipment or its suitability for the use intended by the City.

Section 6.5. Installation and Maintenance of Capital Equipment. The Corporation shall have no obligation to install, erect, test, inspect, service or maintain the Capital Equipment under any instances, but such actions shall be the obligation of the City.

Section 6.6. Release and Indemnification Covenants. The City shall and hereby agrees to indemnify and save the Corporation and the Trustee, and their respective officers, agents, directors, employees and their successors and assignees, harmless from and against all claims, losses, liabilities, costs, expenses and damages, including legal fees and expenses, arising out of

(i) the use, maintenance, condition or management of, or from any work or thing done on the Real Property by the City including without limitation, as a result of the use, presence, storage, disposal or release of any hazardous waste on or about the Real Property, (ii) any breach or default on the part of the City in the performance of any of its obligations under this Lease Agreement, (iii) any act of negligence of the City or of any of its agents, contractors, employees or licensees with respect to the Property, (iv) any act or negligence of any sublessee of the City with respect to the Property, (v) the acquisition of the Property or (vi) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party. No indemnification is made under this Section or elsewhere in this Lease Agreement for willful misconduct, negligence, or breach of duty under this Lease Agreement by the Corporation or the Trustee or their respective officers, agents, directors, employees, successors or assignees.

ARTICLE VII

ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 7.1. Assignment by the Corporation. The Corporation's rights under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the City under this Lease Agreement have been pledged and assigned to the Trustee pursuant to the Assignment Agreement and the Indenture, to which pledge and assignment the City hereby consents.

Section 7.2. Assignment and Subleasing by the City. This Lease Agreement may not be assigned by the City. The City may sublease the Property or any portion thereof, subject to all of the following conditions:

(i) This Lease Agreement and the obligation of the City to make Lease Payments hereunder shall remain obligations of the City;

(ii) The City shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trustee a true and complete copy of such sublease;

(iii) No such sublease by the City or any further sublease or use of such Property shall cause the Property to be used for any unlawful purpose;

(iv) The City shall furnish the Corporation and the Trustee with a written opinion of Bond Counsel, stating that such sublease and any use related to such sublease does not cause a change in the tax status of the Series 2021-C Bonds and that such sublease complies with the requirements of this Section 7.2;

(v) Each sublease and all further subleases shall be subject to termination upon default by the City hereunder and shall not diminish the rights and remedies of the Trustee to the Property thereon in such event of a default;

(vi) Each sublease and subsequent sublease shall contain such provisions for the maintenance of insurance on any improvements constructed on the subleased

Property and such provisions for the allocation of proceeds from such insurance and the allocation of proceeds from eminent domain or condemnation proceedings as shall be satisfactory in the opinion of Independent Counsel to maintain the rights of the Trustee to such proceeds;

(vii) Each sublease and subsequent sublease shall contain provisions securing the timely payment of all taxes, fees, charges and assessments arising from or related to the subleased Property, and securing such Property from the establishment and maintenance of any mechanics or other liens for labor or materials furnished in connection with such improvements;

(viii) Improvements existing on any subleased Real Property at the time of the sublease may be modified by a sublessee only in accordance with the provisions of Section 4.2 hereof; and

(ix) Prior to any sublease of the portion of the Property, the City shall furnish the Trustee such opinions of counsel and certificates as the Trustee may reasonably require to evidence the satisfaction of the above conditions precedent to any sublease.

Section 7.3. Amendment of this Lease Agreement. Except as set forth below, the City and the Corporation shall not alter, modify or cancel, or agree or consent to alter, modify or cancel this Lease Agreement excepting only such alteration or modification as may be permitted by Article III of the Indenture.

This Lease Agreement may be amended without the consent of the Owners of the Bonds for any of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the City or the Corporation, other agreements, conditions, covenants and terms hereafter to be observed or performed by the City or the Corporation, or to surrender any right reserved herein to or conferred herein on the City or the Corporation, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the City or the Corporation may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;

(c) to modify the legal description of the Real Property to add or delete the property description of Property, or to provide for substitution, release or addition of Real Property pursuant to Section 4.12 of this Lease Agreement;

(d) to modify, add or delete the description of the Capital Equipment, or to provide for substitution, release or addition of Capital Equipment pursuant to Section 4.12 of this Lease Agreement;

(e) to make any modifications or changes to Exhibit C of this Lease Agreement to decrease Basic Lease Payments in connection with any prepayment under Article IX hereof;

(f) to make any modifications or changes to this Lease Agreement including any increase or decrease in Basic Lease Payments resulting therefrom in order to enable the execution and delivery of Additional Bonds on a parity with the Series 2021-C Bonds (unless otherwise provided in any Supplemental Indenture) in accordance with Article III of the Indenture and to make any modifications or changes necessary or appropriate in connection with the execution and delivery of Additional Bonds; or

(g) to make any other modification or change to the provisions of this Lease Agreement which does not materially adversely affect the interests of the Owners of the Bonds.

No change, modification or waiver of any provisions hereof will be valid unless in writing, signed by the parties to be bound.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Event of Default Defined. The following shall be “events of default” under this Lease Agreement and the terms “events of default” and “default” shall mean, whenever they are used in this Lease Agreement, with respect to the Property, any one or more of the following events:

(i) Failure by the City to pay any Basic Lease Payment or other payment required to be paid hereunder at the time specified herein, and the continuation of such failure for a period of ten (10) days.

(ii) Failure by the City to observe and perform any covenant, condition or agreement in this Lease Agreement or the Indenture on its part to be observed or performed, other than as referred to in clause (i) of this Section, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation, the Trustee, or the Owners of not less than five percent in aggregate principal amount of Bonds then Outstanding; *provided, however*, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if the Trustee receives a certificate from a City Representative to the effect that corrective action is being instituted by the City within the applicable period and is being diligently pursued to correct the default.

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

Section 8.2. Remedies on Default. Whenever any event of default referred to in Section 8.1 hereof shall have occurred and be continuing, the Corporation may exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement; *provided, however,* that notwithstanding anything herein or in the Indenture to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the City is expressly made a condition hereof and upon the breach thereof the Corporation may exercise any and all rights of entry and re-entry upon the Real Property and any improvements thereon and may exercise any and all rights of entry upon premises where the Capital Equipment may be held and repossess such Capital Equipment, and also, at its option, may terminate this Lease Agreement; *provided* that no acts of the parties hereto may terminate the City's obligation to make the Lease Payments except only in the manner herein expressly provided. In the event of such default and notwithstanding any re-entry or repossession by the Corporation or termination of this Lease Agreement, the City shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Lease Agreement and the performance of all conditions herein contained and, in the event such rent and/or damages shall be payable to the Corporation at the time and in the manner as herein provided, to wit:

(a) If the Corporation does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph (b) hereof, the City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Property or, in the event the Corporation is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of this Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry or re-possession by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of obtaining possession of the Property or exercise of any other remedy by the Corporation. The City hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the City to obtain possession and re-lease the Property in the event of default by the City in the performance of any covenants herein contained to be performed by the City and to remove all personal property whatsoever situated upon the Property and to place such property in storage or other suitable place in the County of Los Angeles, for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such possession and re-leasing of the Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The City hereby waives any and all claims for damages caused or which may be caused by the Corporation in re-entering the Property or any premises where the Capital Equipment may be held and taking possession of the Property as herein provided and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City that may be in or upon the Property. The City agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Property in the event of such re-entry or re-possession without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term

for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Agreement shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The City further waives the right to any rental obtained by the Corporation in excess of the Lease Payments and hereby conveys and releases such excess to the Corporation as compensation to the Corporation for its service in re-leasing the Property.

(b) In an event of default hereunder, the Corporation at its option may terminate this Lease Agreement and re-lease all or any portion of the Property. In the event of the termination of this Lease Agreement by the Corporation at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any re-entry upon the Property by the Corporation in any manner whatsoever or the re-leasing of the Property), the City nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments. Any surplus received by the Corporation from such re-leasing shall be the absolute property of the Corporation and the City shall have no right thereto, nor shall the City be entitled to apply any surplus as a credit in the event of a subsequent deficiency in the rentals received by the Corporation from the Property. Neither notice to pay rent or to deliver up possession of the Property given pursuant to law nor any proceeding taken by the Corporation shall of itself operate to terminate this Lease Agreement, and shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the City of the election on the part of the Corporation to terminate this Lease Agreement. The City covenants and agrees that no surrender of the Property or of the remainder of the Term hereof or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

Section 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

Section 8.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.5. Application of Proceeds. All net proceeds received from the re-lease or other disposition of the Property under this Article VIII, and all other amounts derived by the Corporation or the Trustee as a result of an event of default hereunder, shall be transferred to the Trustee promptly upon receipt thereof and shall be deposited with the Trustee to be applied in accordance with Article IX of the Indenture.

Section 8.6. Trustee and Bond Owners to Exercise Rights. The Corporation has assigned certain rights and remedies under this Article VIII to the Trustee pursuant to the Assignment Agreement and Section 5.01 of the Indenture, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture. To the extent that this Lease Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Lease Agreement, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

ARTICLE IX

PREPAYMENT OF LEASE PAYMENTS

Section 9.1. [Security Deposit. Any prepayment of Basic Lease Payments when due in accordance with the Lease Payment Schedule set forth in *Exhibit C* hereto may be accomplished by the City's securing the payment of Basic Lease Payments by a deposit with the Trustee of: (i) cash in an amount which, together with amounts on deposit in the Bond Fund and the Insurance Proceeds and Condemnation Awards Fund, is sufficient to pay all unpaid Basic Lease Payments for all of the Property, in accordance with the Lease Payment Schedule set forth in *Exhibits C-2 and C-3* and any Additional Payments to become due pursuant to Section 3.7 hereof, or (ii) Defeasance Securities together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Securities then on deposit in the Bond Fund and the Insurance Proceeds and Condemnation Awards Fund, be fully sufficient to pay all unpaid Basic Lease Payments for all of the Property (including any premium thereon) and any unpaid Additional Payments pursuant to Section 3.7 hereof on their respective Lease Payment Dates, as the City shall instruct at the time of said deposit. In the event of a deposit pursuant to this Section, all obligations of the City for said Basic Lease Payments for all of the Property, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, Basic Lease Payments from the deposit made by the City pursuant to this Section and the obligation of the City to make any subsequent Additional Payments, and this Lease Agreement shall terminate with respect to all of the Property on the date of said deposit automatically and without further action by the City or the Corporation; *provided, however* that the City and the Corporation shall execute and file such documents as may be reasonably necessary or desirable to confirm such termination. Said deposit shall be deemed to be and shall constitute a special fund for the payment of Basic Lease Payments in accordance with the provisions of this Lease Agreement. In the event said deposit shall be insufficient to pay any Additional Payments which become due pursuant to Section 3.7 hereof, the City shall, immediately upon notification, increase such deposit in an amount sufficient to cover the deficiency. The Trustee shall not be liable for any insufficiency in such deposit.] **[Under Review]**

Section 9.2. Optional Prepayment. The City may exercise its option to prepay the Basic Lease Payments for all or a portion of the Property on any date by paying a prepayment price equal to (i) the aggregate principal amount of Bonds Outstanding with respect to all or a portion of the Property, (ii) the interest on such Bonds accrued to such date, (iii) prepayment penalty equal to the applicable redemption premium (if any) payable on the Bonds on such date pursuant to Section 2.03(b) of the Indenture and (iv) all Additional Payments to become due under Section 3.7

hereof. Such prepayment price shall be deposited with the Trustee to be applied to the redemption of Bonds pursuant to Section 2.03(b) of the Indenture. The City shall give the Trustee written notice of its intention to exercise its option not less than twenty (20) days in advance of the date of exercise.

Section 9.3. Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain Award. The City shall be obligated to prepay the Lease Payment allocable to any portion of the Property, in whole or in part, on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance award or a condemnation or eminent domain award with respect to such portion of the Property theretofore deposited with the Trustee for such purpose pursuant to Article V hereof and Sections 2.03(a) and 6.07 of the Indenture. The City and the Corporation hereby agree that such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments and not used to repair or replace the lost, damaged or taken Property, shall be credited towards the City's obligations under this Section 9.3.

Section 9.4. Credit for Amounts on Deposit. In the event of payment or prepayment, or provision for payment or prepayment, of the principal components of the Lease Payments in full for all of the Property under this Article IX, such that the Indenture shall be discharged by its terms as a result of such prepayment, all monies then on deposit in the Bond Fund and the Insurance Proceeds and Condemnation Awards Fund shall be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All notices, certificates or other communications hereunder shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the City:

Office of the City Administrative Officer
City of Los Angeles
200 North Main Street
City Hall East Room 1500
Los Angeles, California 90012
Attention: MICLA Coordinator
Email: cao.debt@lacity.org

If to the Corporation:

Municipal Improvement
Corporation of Los Angeles
c/o City Administrative Officer
200 North Main Street
City Hall East, Room 1500
Los Angeles, California 90012
Attention: Assistant Secretary and Assistant Treasurer

If to the Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attention: Global Corporate Trust

Each such notice, certificate or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered, upon delivery, (b) if given by telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, (c) if given by electronic mail, on the date sent, but only if confirmation of the receipt of such electronic mail is received or if notice is concurrently sent by another means specified herein, (d) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, or (e) if given by any other means, upon delivery at the address specified in this Section.

Section 10.2. Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Corporation and the City and their respective successors and assignees.

Section 10.3. Severability. In the event any provision of this Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 10.4. Net-Net-Net Lease. This Lease Agreement shall be deemed and construed to be a "net-net-net" lease and the City hereby agrees that the Lease Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever. The City's obligation to make Lease Payments in the amount and on the terms and conditions specified in this Lease Agreement shall be absolute and unconditional without any right of set-off or counterclaim.

Section 10.5. Further Assurances and Corrective Instruments. The Corporation and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement. In addition, the City and the Corporation shall, on an ongoing basis, execute and deliver all documents and make or cause to be made all filings and recordings necessary or desirable in order to perfect, preserve and protect the interest of the Trustee in the Property to the extent possible under applicable law.

Section 10.6. Article and Section Headings and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to the Lease Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.7. Governing Law. This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

Section 10.8. Execution in Counterparts. This Lease Agreement may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the Corporation has caused this Lease Agreement to be executed in its corporate name by its duly authorized officer; and the City has caused this Lease Agreement to be executed in its name by its duly authorized officer, as of the date first above written.

MUNICIPAL IMPROVEMENT CORPORATION OF
LOS ANGELES, as Lessor

By: _____
Assistant Secretary and Assistant
Treasurer

CITY OF LOS ANGELES, as Lessee

By: _____
Assistant City Administrative Officer

APPROVED AS TO FORM:

Michael N. Feuer,
City Attorney

By: _____
Deputy City Attorney

- Signature Page to Lease Agreement -
Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds,
Series 2021-C (Capital Equipment and Real Property)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF _____)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature (Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF _____)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature (Seal)

CERTIFICATE OF ACCEPTANCE

In accordance with Section 27281 of the California Governmental Code, this is to certify that the interest in the Real Property conveyed under the Lease Agreement, dated as of December 1, 2021, by and between the Municipal Improvement Corporation of Los Angeles, a California nonprofit public benefit corporation, as sublessor, and the City of Los Angeles (the “City”), a charter city and municipal corporation duly organized and existing under its charter and the laws and Constitution of the State of California, as sublessee, is hereby accepted by the undersigned officer or agent on behalf of the City, pursuant to authority conferred by resolution of the City Council of the City adopted on November 2, 2021, and the City consents to recordation thereof by its duly authorized officer.

Dated as of [December __, 2021]

CITY OF LOS ANGELES

By: _____

Name: Benjamin Ceja

Title: Assistant City Administrative Officer

EXHIBIT A

DESCRIPTION OF THE LAND

SITE 1

**HARBOR COMMUNITY POLICE STATION
(2175 JOHN SOUTH GIBSON BLVD., LOS ANGELES, CA 90731)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

ALL THAT PORTION OF LOT 12, TRACT 3192, AS PER MAP RECORDED IN BOOK 44, PAGES 91 TO 94 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY, STATE OF CALIFORNIA, INCLUDED WITHIN THE LOS ANGELES COUNTY TAX ASSESSOR'S PARCEL NO. 7440-016-911.

SITE 2
HOLLENBECK COMMUNITY POLICE STATION
(2111 EAST 1ST STREET, LOS ANGELES, CA 90033)

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOT 1 AND THE EASTERLY 21 FEET, FRONT AND REAR OF LOT 3, IN BLOCK "L" OF MOORE AND KELLEHER'S SUBDIVISION OF LOTS 5 AND 6, BLOCK 60 OF HANCOCK'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5 PAGE 568 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOT 5 IN BLOCK "L" OF MOORE AND KELLEHER'S SUBDIVISION OF LOTS 5 AND 6 IN BLOCK 60 OF HANCOCK'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5 PAGE 568 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:

LOTS 7 AND 9 IN BLOCK "L" OF MOORE AND KELLEHER'S SUBDIVISION OF LOTS 5 AND 6 IN BLOCK 60 OF HANCOCK'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5 PAGE 568 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOT 11 IN BLOCK "L" OF MOORE AND KELLEHER'S SUBDIVISION OF LOTS 5 AND 6 IN BLOCK 60 OF HANCOCK'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5 PAGE 568 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 5183-006-900, 5183-006-901, 5183-006-903

SITE 3
NORTHEAST COMMUNITY POLICE STATION
(3353 NORTH SAN FERNANDO ROAD, LOS ANGELES, CA 90065)

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOT 62 AND LOT 63 EXCEPT THE SOUTHWESTERLY 30 FEET OF SAID LOT 63, ALL IN THE TREADWELL TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING AND RESERVING TO RUSSELL N. BARTH AND GLORIA J. BARTH, HUSBAND AND WIFE AND ROBERT G. BARMAN AND GERALDINE E. BARMAN, AS TRUSTEES UNDER TRUST AGREEMENT DATED MAY 7, 1979 FOR THE BENEFIT OF THE BARMAN FAMILY, THEIR HEIRS, SUCCESSORS AND ASSIGNS ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS IN, UNDER AND RECOVERABLE FROM THE ABOVE-DESCRIBED REAL PROPERTY, BUT WITHOUT THE RIGHT TO ENTER, DRILL OR PENETRATE IN OR UPON THE SURFACE OF SAID REAL PROPERTY OR WITHIN 500 FEET BELOW THE SURFACE THEREOF FOR THE PURPOSES OF REMOVING SAID CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM, AND ALL KINDRED SUBSTANCES AND OTHER MINERALS, BY DEED RECORDED FEBRUARY 14, 1986 AS INSTRUMENT NO. 86-204598, OF OFFICIAL RECORDS.

PARCEL 2:

THAT PORTION OF THE GLASSELL AND CHAPMAN 2296.11 ACRE ALLOTMENT OF THE PARTITION OF THE RANCHO SAN RAFAEL DISTRICT COURT, CASE NO. 1621, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE NORTHEASTERLY LINE OF SAN FERNANDO ROAD, (66 FEET WIDE), DISTANT SOUTHERLY THEREON 165 FEET FROM THE MOST SOUTHERLY CORNER OF LOT 69 OF THE TREADWELL TRACT, AS PER MAP RECORDED IN BOOK 11 PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE NORTH 46 DEGREES 35 MINUTES 20 SECONDS EAST PARALLEL WITH THE SOUTHEASTERLY LINES OF LOTS 69, 66, 65, 63 AND 62 OF SAID TREADWELL TRACT, A DISTANCE OF 396 FEET, MORE OR LESS, TO A POINT IN THE SOUTHWESTERLY LINE OF THE PARCEL OF LAND CONVEYED TO THE AMERICAN SECURITY AND FIDELITY COMPANY, BY DEED RECORDED IN BOOK 12478 PAGE 251, OFFICIAL RECORDS; THENCE NORTH 39 DEGREES 33 MINUTES 25 SECONDS WEST ALONG THE SOUTHWESTERLY LINE OF THE PARCEL

OF LAND CONVEYED BY SAID DEED, 165 FEET TO A POINT IN THE SOUTHEASTERLY LINE OF LOT 62 OF SAID TREADWELL TRACT; THENCE SOUTH 46 DEGREES 35 MINUTES 20 SECONDS WEST ALONG THE SOUTHEASTERLY LINES OF LOTS 62, 63, 64, 65, 66 AND 69 OF SAID TREADWELL TRACT, 396 FEET, MORE OR LESS, TO THE MOST SOUTHERLY CORNER OF LOT 69 OF SAID TREADWELL TRACT; THENCE SOUTH 39 DEGREES 33 MINUTES 25 SECONDS EAST, ALONG SAN FERNANDO ROAD, 165 FEET TO THE POINT OF BEGINNING.

PARCEL 3:

LOT 65 OF THE TREADWELL TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOTS 66, 67, 68, AND 69 OF THE TREADWELL TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 5:

LOT 64 AND THE SOUTHWESTERLY 30 FEET OF LOT 63, TREADWELL TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11, PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY.

EXHIBIT B

CAPITAL EQUIPMENT SCHEDULE

**[EQUIPMENT SCHEDULE TO CONSIST OF CAPITAL EQUIPMENT FINANCED OR REFINANCED BY THE COMMERCIAL PAPER TO BE
RETIRED BY PROCEEDS OF THE SERIES 2021-C BONDS]**

Department	BFY	APPR	Document ID	Record Date	Vendor Name	Expenditure	Equipment Description	Quantity	Useful Life
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EXHIBIT C-1

SCHEDULE OF SERIES 2021-C BONDS AGGREGATE BASIC LEASE PAYMENTS

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Annual FY Total</u>
[10/15/2022	\$	\$	\$	\$
4/15/2023				
10/15/2023				
4/15/2024				
10/15/2024				
4/15/2025				
10/15/2025				
4/15/2026				
10/15/2026				
4/15/2027				
10/15/2027				
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Total	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

EXHIBIT C-2

SCHEDULE OF BASIC LEASE PAYMENTS FOR EACH REAL PROPERTY

Harbor Community Police Station

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Annual FY Total</u>
[10/15/2022	\$	\$	\$	\$
4/15/2023				
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10/15/2041]				
Total	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Hollenbeck Community Police Station

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Annual FY Total</u>
[10/15/2022	\$	\$	\$	\$
4/15/2023				
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Total	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Northeast Community Police Station

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Annual FY Total</u>
[10/15/2022	\$	\$	\$	\$
4/15/2023				
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Total	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

EXHIBIT C-3

SCHEDULE OF BASIC LEASE PAYMENTS FOR CAPITAL EQUIPMENT

Payment Date	Principal Component	Interest Component	Total	Annual FY Total
[10/15/2022	\$	\$	\$	\$
4/15/2023				
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Total	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

EXHIBIT D

LEASE TERMS FOR REAL PROPERTY

<u>Facility</u>	<u>Term</u>	<u>Maximum Extension</u>
Harbor Community Police Station	[November 1, 2041]	[November 1, 2051]
Hollenbeck Community Police Station	[November 1, 2041]	[November 1, 2051]
Northeast Community Police Station	[November 1, 2041]	[November 1, 2051]

Exhibit E – Assignment Agreement

RECORDING REQUESTED BY AND)
WHEN RECORDED MAIL TO:)
)
NIXON PEABODY LLP)
300 South Grand Avenue, Suite 4100)
Los Angeles, California 90071-3151)
Attention: Jade Turner-Bond, Esq.)

(Space above for Recorder's use)

ASSIGNMENT AGREEMENT

Dated as of December 1, 2021

by and between the

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES

and

U.S. BANK NATIONAL ASSOCIATION, as Trustee

[\$_____]

MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
LEASE REVENUE BONDS, SERIES 2021-C
(CAPITAL EQUIPMENT AND REAL PROPERTY)

NO DOCUMENTARY TRANSFER TAX DUE. This Assignment Agreement is recorded for the benefit of the City of Los Angeles and the recording is exempt under Section 27383 of the California Government Code and Section 11928 of the California Revenue and Taxation Code.

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EXHIBIT B —	SCHEDULE OF LEASED EQUIPMENT RELATING TO THE SERIES 2021-C BONDS	

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT, dated as of December 1, 2021 (this “*Assignment Agreement*”), by and between the MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES (the “*Corporation*”) and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America and authorized to accept assignments of the nature herein set forth, as trustee (the “*Trustee*”);

WITNESSETH

WHEREAS, the City and the Corporation have entered into a Site Lease, dated as of the date hereof (the “*Site Lease*”), pursuant to which the City agrees, among other things, to lease to the Corporation the real property, buildings and improvements described in *Exhibit A* hereto and made a part hereof (the “*Real Property*”);

WHEREAS, the City and the Corporation have entered into a Lease Agreement, dated as of the date hereof (the “*Lease Agreement*”), pursuant to which the Corporation agrees, among other things, to lease the capital equipment described in *Exhibit B* hereto and made a part hereof (the “*Capital Equipment*”), and to sublease the Real Property to the City, in consideration for which the City has agreed to pay basic lease payments (the “*Basic Lease Payments*”) and additional rental payments, all as more particularly described in the Lease Agreement;

WHEREAS, the City, the Corporation and the Trustee have entered into an Indenture, dated as of the date hereof (the “*Indenture*”), pursuant to which the Corporation is issuing its [\$_____] Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) (the “*Series 2021-C Bonds*”); and

WHEREAS, the Corporation desires to assign and transfer certain of its right, title and interest in and to the Site Lease and the Lease Agreement to the Trustee on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained herein, the receipt of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definition. All capitalized terms used herein without definition shall have the meanings given to such terms in the Indenture.

Section 2. Assignment. The Corporation does hereby presently and unconditionally sell, assign and transfer to the Trustee, for the benefit of the Owners, from time to time, of the Series 2021-C Bonds, all of the Corporation’s right, title and interest in and to the Site Lease and the Lease Agreement, including without limitation the Corporation’s right to receive Basic Lease Payments, as well as its rights to enforce payment of such Basic Lease Payments when due or otherwise to protect its interest and exercise all remedies in the event of a default or termination by the City under the Lease Agreement, in accordance with the respective terms thereof; *provided, however*, that the Corporation retains the right to indemnification and payment or reimbursement for any costs or expenses. The right to receive Basic Lease Payments and other

rights of the Corporation assigned hereunder shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Indenture and the Lease Agreement. This Assignment constitutes a collateral assignment of the Site Lease and the Lease Agreement by the Corporation to the Trustee as security for the Corporation's obligations under the Indenture.

Section 3. Acceptance of Assignment. The Trustee hereby accepts the assignment of such of the Corporation's right, title and interest in and to the Site Lease and the Lease Agreement as are assigned pursuant to the terms of this Assignment Agreement, for the purpose of securing such Basic Lease Payments and rights to the Owners, from time to time, of the Series 2021-C Bonds.

Section 4. No Additional Rights or Duties. This Assignment Agreement shall not confer any rights nor impose any duties, obligations or responsibilities upon the Trustee beyond those expressly provided in the Site Lease and the Lease Agreement and the Indenture or as otherwise set forth herein. This Assignment Agreement shall not impose any duties, obligations or responsibilities upon the Corporation or the City beyond those expressly provided in the Site Leases and the Lease Agreement and the Indenture or as otherwise set forth herein.

Section 5. Further Assurances. The Corporation will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Assignment Agreement, and to further assure and confirm to the Trustee and the Owners, from time to time, of the Series 2021-C Bonds the rights and benefits intended to be conveyed pursuant hereto.

Section 6. Governing Law. This Assignment Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 7. Counterparts. This Assignment Agreement may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

Section 8. Amendment. This Assignment Agreement may be amended by the parties hereto in writing, but only to the extent and under the circumstances the Indenture may be amended in accordance with and as permitted by its terms.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the parties hereto have executed this Assignment Agreement as of the date first above written.

MUNICIPAL IMPROVEMENT CORPORATION OF
LOS ANGELES, as Assignor

By: _____
Assistant Secretary and Assistant Treasurer

U.S. BANK NATIONAL ASSOCIATION, as Trustee
and Assignee

By: _____
Authorized Officer

-Signature Page to Assignment Agreement-

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF _____)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature (Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF _____)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature (Seal)

EXHIBIT A

**DESCRIPTION OF LEASED REAL PROPERTY RELATING TO THE
SERIES 2021-C BONDS**

**SITE 1
HARBOR COMMUNITY POLICE STATION
(2175 JOHN SOUTH GIBSON BLVD., LOS ANGELES, CA 90731)**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

ALL THAT PORTION OF LOT 12, TRACT 3192, AS PER MAP RECORDED IN BOOK 44, PAGES 91 TO 94 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY, STATE OF CALIFORNIA, INCLUDED WITHIN THE LOS ANGELES COUNTY TAX ASSESSOR'S PARCEL NO. 7440-016-911.

SITE 2
HOLLENBECK COMMUNITY POLICE STATION
(2111 EAST 1ST STREET, LOS ANGELES, CA 90033)

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOT 1 AND THE EASTERLY 21 FEET, FRONT AND REAR OF LOT 3, IN BLOCK "L" OF MOORE AND KELLEHER'S SUBDIVISION OF LOTS 5 AND 6, BLOCK 60 OF HANCOCK'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5 PAGE 568 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOT 5 IN BLOCK "L" OF MOORE AND KELLEHER'S SUBDIVISION OF LOTS 5 AND 6 IN BLOCK 60 OF HANCOCK'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5 PAGE 568 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:

LOTS 7 AND 9 IN BLOCK "L" OF MOORE AND KELLEHER'S SUBDIVISION OF LOTS 5 AND 6 IN BLOCK 60 OF HANCOCK'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5 PAGE 568 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOT 11 IN BLOCK "L" OF MOORE AND KELLEHER'S SUBDIVISION OF LOTS 5 AND 6 IN BLOCK 60 OF HANCOCK'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5 PAGE 568 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 5183-006-900, 5183-006-901, 5183-006-903

SITE 3
NORTHEAST COMMUNITY POLICE STATION
(3353 NORTH SAN FERNANDO ROAD, LOS ANGELES, CA 90065)

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

LOT 62 AND LOT 63 EXCEPT THE SOUTHWESTERLY 30 FEET OF SAID LOT 63, ALL IN THE TREADWELL TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING AND RESERVING TO RUSSELL N. BARTH AND GLORIA J. BARTH, HUSBAND AND WIFE AND ROBERT G. BARMAN AND GERALDINE E. BARMAN, AS TRUSTEES UNDER TRUST AGREEMENT DATED MAY 7, 1979 FOR THE BENEFIT OF THE BARMAN FAMILY, THEIR HEIRS, SUCCESSORS AND ASSIGNS ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS IN, UNDER AND RECOVERABLE FROM THE ABOVE-DESCRIBED REAL PROPERTY, BUT WITHOUT THE RIGHT TO ENTER, DRILL OR PENETRATE IN OR UPON THE SURFACE OF SAID REAL PROPERTY OR WITHIN 500 FEET BELOW THE SURFACE THEREOF FOR THE PURPOSES OF REMOVING SAID CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM, AND ALL KINDRED SUBSTANCES AND OTHER MINERALS, BY DEED RECORDED FEBRUARY 14, 1986 AS INSTRUMENT NO. 86-204598, OF OFFICIAL RECORDS.

PARCEL 2:

THAT PORTION OF THE GLASSELL AND CHAPMAN 2296.11 ACRE ALLOTMENT OF THE PARTITION OF THE RANCHO SAN RAFAEL DISTRICT COURT, CASE NO. 1621, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE NORTHEASTERLY LINE OF SAN FERNANDO ROAD, (66 FEET WIDE), DISTANT SOUTHERLY THEREON 165 FEET FROM THE MOST SOUTHERLY CORNER OF LOT 69 OF THE TREADWELL TRACT, AS PER MAP RECORDED IN BOOK 11 PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE NORTH 46 DEGREES 35 MINUTES 20 SECONDS EAST PARALLEL WITH THE SOUTHEASTERLY LINES OF LOTS 69, 66, 65, 63 AND 62 OF SAID TREADWELL TRACT, A DISTANCE OF 396 FEET, MORE OR LESS, TO A POINT IN THE SOUTHWESTERLY LINE OF THE PARCEL OF LAND CONVEYED TO THE AMERICAN SECURITY AND FIDELITY COMPANY, BY DEED RECORDED IN BOOK 12478 PAGE 251, OFFICIAL RECORDS; THENCE NORTH 39 DEGREES 33 MINUTES 25 SECONDS WEST ALONG THE SOUTHWESTERLY LINE OF THE PARCEL

OF LAND CONVEYED BY SAID DEED, 165 FEET TO A POINT IN THE SOUTHEASTERLY LINE OF LOT 62 OF SAID TREADWELL TRACT; THENCE SOUTH 46 DEGREES 35 MINUTES 20 SECONDS WEST ALONG THE SOUTHEASTERLY LINES OF LOTS 62, 63, 64, 65, 66 AND 69 OF SAID TREADWELL TRACT, 396 FEET, MORE OR LESS, TO THE MOST SOUTHERLY CORNER OF LOT 69 OF SAID TREADWELL TRACT; THENCE SOUTH 39 DEGREES 33 MINUTES 25 SECONDS EAST, ALONG SAN FERNANDO ROAD, 165 FEET TO THE POINT OF BEGINNING.

PARCEL 3:

LOT 65 OF THE TREADWELL TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOTS 66, 67, 68, AND 69 OF THE TREADWELL TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11 PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 5:

LOT 64 AND THE SOUTHWESTERLY 30 FEET OF LOT 63, TREADWELL TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11, PAGE 180 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY.

EXHIBIT B

**SCHEDULE OF LEASED EQUIPMENT RELATING TO THE
SERIES 2021-C BONDS**

CAPITAL EQUIPMENT

Department	BFY	APPR	Document ID	Record Date	Vendor Name	Expenditure	Equipment Description	Quantity	Useful Life
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Exhibit F – Notice of Intention to Sell Bonds

NOTICE OF INTENTION TO SELL BONDS

\$[_____]*

Municipal Improvement Corporation of Los Angeles
Lease Revenue Bonds, Series 2021-C
(Capital Equipment and Real Property)

The City of Los Angeles, California (the “City”) for and on behalf of itself and the Municipal Improvement Corporation of Los Angeles (the “Corporation”) intends to receive bids through the use of an electronic bidding service as described herein for the above-referenced bonds (the “Bonds”) until [9:00 a.m.], California Time, [Wednesday], [November 17], 2021.

The Bonds will be dated the date of delivery, and mature as described in the Notice Inviting Bids with respect to the Bonds. The City, for and on behalf of itself and the Corporation, reserves the right, to the extent permitted by law, to postpone the date for accepting bids and establish a subsequent date on which bids are to be accepted as more fully set forth in the Notice Inviting Bids.

Bids may be submitted until the designated time shown above on [Wednesday], [November 17], 2021, only through i-Deal’s BiDCOMP/Parity® Competitive Bidding System, in accordance with the procedures, terms and conditions set forth in the Notice Inviting Bids. No bids will be received after such time. The City assumes no responsibility or liability for bids submitted through BiDCOMP/ Parity®. No bids will be accepted by facsimile or hand delivery. For additional information about BiDCOMP/Parity® potential bidders may contact the City’s municipal advisor (identified below).

Changes in the date and time for receipt of proposals will be communicated through The Municipal Market Monitor (TM3) not later than [2:00 p.m.], California time, on the business day prior to the bid opening.

Copies of the Preliminary Official Statement to be disseminated in connection with the sale of the Bonds, the Notice Inviting Bids, the resolution of the City Council authorizing the issuance of the Bonds, the resolution of the Corporation authorizing the issuance of the Bonds, the Site Lease, Lease Agreement, Assignment Agreement, Continuing Disclosure Certificate, and other documents related thereto may be obtained from the City or the City’s municipal advisor at the following locations: Ha To, Office of the City Administrative Officer, Room 1500, City Hall East, 200 North Main Street, Los Angeles, California 90012, cao.debt@lacity.org; or Michelle Issa, Public Resources Advisory Group, 11500 West Olympic Boulevard, Suite 502, Los Angeles, California 90064, (310) 477-2786, e-mail: missa@pragadvisors.com. The Preliminary Official Statement will be in a form deemed final by the City within the meaning of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, except for the omission of certain information permitted to be omitted therefrom pursuant to Rule 15c2-12, but is subject to revision, amendment and completion in a final Official Statement. The Preliminary Official Statement and the Notice Inviting Bids will also be available at www.munios.com.

* Preliminary; subject to change.

Given by order of the City Council on November 2, 2021, and of the Board of Directors of the Corporation on November 9, 2021.

Exhibit G – Notice Inviting Bids

[November __], 2021

Dear Prospective Bidder:

In accordance with the Notice Inviting Bids, the City of Los Angeles, for and on behalf of itself and the Municipal Improvement Corporation of Los Angeles, intends to accept bids for the \$[_____] * aggregate principal amount of Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) on [Wednesday], [November 17], 2021 at [9:00 a.m.], California Time. The purpose of this letter is to reaffirm the City's position relative to encouraging bidders on the City's bonds to include minority business enterprises ("MBE"), women business enterprises ("WBE"), disadvantaged business enterprises ("DBE"), disabled veteran business enterprises ("DVBE") and all other business enterprises ("OBE") in their bidding syndicates.

It continues to be the City's policy to provide MBE, WBE, DBE, DVBE and OBE an equal opportunity to participate in the performance of City contracts. This policy continues to be a high priority of the Mayor and the City Council. As such, we urge all bidders to continue to make a good faith effort to provide all underwriting firms, including MBE, WBE, DBE, DVBE and OBE firms, an opportunity to participate in bidding syndicates.

Please refer any inquiries regarding these matters to Ha To at cao.debt@lacity.org.

Sincerely,

Benjamin Ceja
Assistant City Administrative Officer

* Preliminary; subject to change.

NOTICE INVITING BIDS

\$[_____]*

Municipal Improvement Corporation of Los Angeles
Lease Revenue Bonds, Series 2021-C
(Capital Equipment and Real Property)
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that electronic bids will be received by the City of Los Angeles, California (herein the “City”), for and on behalf of itself and the Municipal Improvement Corporation of Los Angeles (the “Corporation”), for the purchase of all but not less than all of \$[_____] aggregate principal amount of the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) (the “Series 2021-C Bonds”). The Series 2021-C Bonds will be awarded to the highest ranked responsible bidder(s), considering the rate or rates specified and the premium offered, if any. The highest ranked responsible bidder shall be the bidder submitting the best price for the Series 2021-C Bonds, which best price shall be that resulting in the lowest true interest cost (“TIC”) for the Series 2021-C Bonds. See “Award, Delivery and Payment” herein. Bidders are required to bid on all of the Series 2021-C Bonds. All bids must be submitted via BiDCOMP/PARITY®, the electronic bidding system, up to the time specified below unless postponed or cancelled as described herein:

Date of Sale: [Wednesday], [November 17], 2021 at [9:00 a.m.], California time

Electronic Bids: Bids must be submitted only through BiDCOMP/PARITY® (“BiDCOMP/Parity”), the “Approved Provider.” The Approved Provider will act as an agent of the bidder and not of the City in connection with the submission of bids. The City assumes no responsibility or liability for bids submitted through the Approved Provider. See “Information Regarding Electronic Bids” herein.

Authorization Letter: Bidders must complete and email the attached Authorization to Accept Electronic Bids (the “Authorization”) to the email addresses indicated on the Authorization prior to [8:00 a.m.], California time, on the date of sale.

Good Faith Deposit: Each bidder must provide, not later than [8:00 a.m.], California time on the date of sale, a Good Faith Deposit in the amount of \$[_____]. Failure to provide the Good Faith Deposit in accordance with the terms and conditions set forth in this Notice Inviting Bids will

* Preliminary; subject to change.

subject the bidder to disqualification. See “Good Faith Deposit” herein.

No Facsimile or
Other Bids:

No bids will be accepted via facsimile, hand delivery or any method other than as described above.

The Issue

The issue is \$[_____] * aggregate principal amount of the Series 2021-C Bonds in denominations of \$5,000 or any integral multiple thereof.

Purpose of the Issue

The proceeds from the sale of the Series 2021-C Bonds will be used primarily for the purpose of retiring certain outstanding maturities of commercial paper issued by the Corporation, the proceeds of which were used to finance and refinance the acquisition of certain items of capital equipment of the City and the acquisition and improvement of certain real property of the City.

Authorizing Documents

The Series 2021-C Bonds are being issued pursuant to (a) an Indenture, dated as of December 1, 2021, by and among the City, the Corporation and U.S. Bank National Association, as trustee (the “Trustee”); (b) the resolution of the City Council adopted on November 2, 2021 authorizing the issuance of the Series 2021-C Bonds (the “Authorizing Resolution”); (c) the resolution of the Corporation adopted on November 9, 2021 authorizing the issuance of the Series 2021-C Bonds (the “Corporation Resolution”), and (d) the certificate of the City Administrative Officer or Assistant City Administrative Officer (together, the “Authorized Representative”), for and on behalf of the City and the Corporation, to be delivered at the time the Series 2021-C Bonds are awarded to the successful bidder (the “Award Certificate”).

Security for the 2021-C Bonds

The 2021-C Bonds are payable from the Revenues pledged thereto under the Indenture. The Revenues for the 2021-C Bonds primarily consist of the Basic Lease Payments to be made by the City to the Corporation under a Lease Agreement, dated as of December 1, 2021, by and between the City and the Corporation (the “Lease Agreement”), and the interest or profits from the investment of money in any fund, account or subaccount held for the related Series of 2021-C Bonds under the Indenture (other than the Rebate Fund).

Principal and Interest Payments

The Series 2021-C Bonds will be dated the date of issuance and will bear interest from that date (computed on the basis of a 360-day year of twelve 30-day months). Interest on the Series 2021-C Bonds will be payable semiannually on May 1 and November 1, commencing on November 1, 2022 (each an “Interest Payment Date”). Principal and premium, if any, of the Series

* Preliminary; subject to change.

2021-C Bonds will be payable upon surrender thereof at maturity or upon earlier redemption to the registered owner of each Series 2021-C Bond, which will initially be The Depository Trust Company, New York, New York (“DTC”) or its nominee. Payment of principal and interest to DTC shall be the responsibility of the City or the Trustee, disbursements of such payments to direct participants of DTC shall be the responsibility of DTC, and disbursements of such payments to the beneficial owners shall be the responsibility of DTC’s direct participants and indirect participants. The City and the Trustee will not have any responsibility or obligation with respect to the accuracy of any records maintained by DTC, its direct participants or indirect participants or any payment made by DTC, its direct participants or indirect participants of any amount with respect to the principal, premium, if any, or interest due on the Series 2021-C Bonds.

Book-Entry Only

The Series 2021-C Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Series 2021-C Bonds. Purchasers will not receive certificates representing their interest in the Series 2021-C Bonds. Individual purchases will be in the principal amount of \$5,000 or any integral multiple thereof. Ownership interests in the Series 2021-C Bonds, may be purchased in book-entry form only. Principal of, premium, if any, and interest on the Series 2021-C Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payment to Direct Participants of DTC for subsequent disbursement to the beneficial owners of interests in the Series 2021-C Bonds.

[Remainder of page intentionally left blank]

Principal Amortization for the Series 2021-C Bonds

The aggregate principal amount of the Series 2021-C Bonds will be subject to amortization either through serial maturities or sinking fund redemptions or a combination thereof. Principal will be amortized on an annual basis commencing on November 1, in years 20[22] through 20[41] and in the amounts set forth below:

Maturity Schedule*

Maturity November 1	Principal Amount	Maturity November 1	Principal Amount
	\$		\$

* Preliminary, subject to change.

Serial Bonds and/or Term Bonds

Bidders may provide that all of the Series 2021-C Bonds be issued as serial bonds or that any two or more consecutive annual principal amounts may be combined into one or more term bonds.

Optional Redemption

The Series 2021-C Bonds maturing on or after November 1, [2032] are subject to redemption, in whole or in part, of such maturities designated by the City, prior to their respective maturity dates, at the option of the Corporation (at the direction of the City), on any date on or after November 1, [2031], at a redemption price equal to the principal amount of the Series 2021-C Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption

If the successful bidder designates principal amounts to be combined into one or more term bonds, each such term bond shall be subject to mandatory sinking fund redemption commencing on November 1 of the first year which has been combined to form such term bonds and continuing on November 1 in each year thereafter until the stated maturity date of that term bond. The amount redeemed in any year shall be equal to the principal amount for such maturity date set forth above under “—Principal Amortization for the Series 2021-C Bonds.” The City, at its option, may credit against any mandatory sinking fund redemption payment term Series 2021-C Bonds of the

maturity then subject to redemption, that have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption payment.

Selection of Series 2021-C Bonds for Redemption

Whenever any 2021-C Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the City thereof to the extent 2021-C Bonds are no longer held in book-entry form.

Notice of Redemption

Notice of redemption shall be mailed by the Trustee, not less than 20 nor more than 60 days prior to the redemption date, to (i) the respective Owners of the Series 2021-C Bonds designated for redemption at their addresses appearing on the registration books of the Trustee by first class mail; (ii) the Securities Depositories (if any); and (iii) the MSRB. Each notice of redemption shall state the date of such notice, the redemption price, the name and appropriate address of the Trustee, the CUSIP number (if any) of the maturity or maturities within a Series, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2021-C Bonds of such maturity to be redeemed and, in the case of Series 2021-C Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2021-C Bonds the principal amount thereof and in the case of a Series 2021-C Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2021-C Bonds be then surrendered at the address of the Trustee specified in the redemption notice. The notice of redemption for any optional redemption shall contain a statement to the effect that redemption of the Series 2021-C Bonds is conditioned upon the receipt by the Trustee of amounts equal to the redemption price of the Series 2021-C Bonds to be redeemed on or before the redemption date, and such optional redemption shall be so conditioned. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed thereon or on the Series 2021-C Bonds. The Trustee may provide notices hereunder to the Securities Depositories and the MSRB electronically.

If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2021-C Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice such Series 2021-C Bonds shall become due and payable, and from and after the date so designated interest on the Series 2021-C Bonds so called for redemption shall cease to accrue, and the Owners of such Series 2021-C Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Failure by the Trustee to give notice pursuant to this section to any one or more of the Securities Depositories, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption. Failure to receive a notice of redemption or any defect in such notice shall not affect the sufficiency or validity of the proceedings for redemption.

All Series 2021-C Bonds redeemed pursuant to the provisions of this section shall be canceled by the Trustee and shall be delivered to, or upon the order of, the Corporation and shall not be reissued.

TERMS OF SALE

Form of Bid

Each bid must be for an amount not less than [_____] % and not more than [_____] % of the principal amount of the Series 2021-C Bonds and must be submitted as described under “—Information Regarding Electronic Bids” below. Each bid must be preceded by the Good Faith Deposit described under the caption “—Good Faith Deposit” below and must be in accordance with the terms and conditions set forth in this Notice Inviting Bids. Each bid must also be preceded by an Authorization to Accept Electronic Bids in the form attached as Exhibit A emailed to the addresses set forth therein.

The City, the Corporation, the Municipal Advisor (herein defined) and Bond Counsel assume no responsibility or liability for any error contained in any electronic bid, or for failure of any electronic bid to be transmitted, received or opened at the official time for receipt of such bids. The official time for the receipt of bids will be determined by the City at the place of the bid opening. The City shall not be required to accept the time kept by the Approved Provider as the official time. The City assumes no responsibility or liability for informing any bidder prior to the deadline that its bid is incomplete or not received.

If multiple timely bids are received from a single bidder by any means or combination thereof, the City on behalf of itself and the Corporation, shall accept the best of such bids and each bidder agrees by submitting any bid to be bound by its best bid.

No Bond Insurance

The winning bidder shall not purchase municipal bond insurance in connection with the Bonds.

Information Regarding Electronic Bids

Bids must be submitted through BiDCOMP/Parity, the Approved Provider. Bidders must complete and email (in the form of Exhibit A attached to this Notice Inviting Bids) the Authorization to Accept Electronic Bids (the “Authorization”) to the email addresses indicated on the Authorization prior to [8:00 a.m.], California time, on the date of sale. If any provision of this Notice Inviting Bids conflicts with information provided by the Approved Provider, this Notice Inviting Bids shall control. The City is not responsible for improper operation of nor will the City have any liability for any delays or interruptions of or any damages caused by the system of the Approved Provider. The City is using the Approved Provider as a communications mechanism and not as the City’s agent to conduct electronic bidding for the Series 2021-C Bonds. The City is not bound by any advice and determination of the Approved Provider to the effect that any particular bid complies with the terms of this Notice Inviting Bids. All costs and expenses incurred by prospective bidders in connection with their submission of bids through the Approved Provider are the sole responsibility of the bidders and the City is not responsible or liable for any such costs

or expenses. Further information about the Approved Provider, including any fee charged, may be obtained from BiDCOMP/Parity, www.newissuehome.i-deal.com, or by calling (212) 849-5021. The City assumes no responsibility or liability for bids submitted through the Approved Provider. The City shall be entitled to assume that any bid submitted through the Approved Provider has been made by a duly authorized agent of the bidder.

Adjustment of Principal Amount

The principal amounts set forth above under “Principal Amortization for the Series 2021-C Bonds” reflect certain estimates of the City and its Municipal Advisor with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. The final principal amounts of each maturity of the Series 2021-C Bonds are subject to adjustment by the City in its sole discretion in \$5,000 increments by such amount as may be necessary to produce sufficient funds to accomplish the purpose of the issuance of the Series 2021-C Bonds after taking into account the actual interest rates and any premium contained in the winning bid and to meet other preferences of the City. The dollar amount bid for the Series 2021-C Bonds by the successful bidder will be adjusted, if necessary, to reflect any such adjustments in the amortization schedule. The adjusted bid price will reflect changes in the dollar amount of the underwriters’ discount, if any, but will not change the per Series 2021-C Bond underwriter’s discount as provided in the bid. The successful bidder will be notified of any adjustments in principal amounts of the Series 2021-C Bonds within 24 hours after the opening of the bids. Such adjustments may affect the dollar amount of discount (underwriters’ discount and original issue discount) contained in the winning bid.

The successful bidder may not withdraw its bid or change the interest rate bid or initial reoffering price as a result of any adjustments made within the above-described limits. Changes in the amortization schedule made as described above will not affect the determination of the winning bidder or give the winning bidder any right to reject the Series 2021-C Bonds.

Award, Delivery and Payment

The City on behalf of itself and the Corporation, will take action awarding the Series 2021-C Bonds or rejecting all bids for the Series 2021-C Bonds not later than [27 hours] after the time specified for the receipt of the bids, unless such time is waived by the successful bidder. Notice of award will be given promptly by telephone by the City to the successful bidder. The Series 2021-C Bonds will be awarded to the highest ranked responsible bidder(s), considering the rate or rates specified and the premium offered, if any. The highest ranked responsible bidder shall be the bidder submitting the best price for the Series 2021-C Bonds, which best price shall be that resulting in the lowest true interest cost (“TIC”) for the Series 2021-C Bonds. The TIC will be the nominal interest rate which, when compounded semiannually and used to discount the debt service payments on all of the Series 2021-C Bonds to the date of the Series 2021-C Bonds, results in an amount equal to the “purchase price” bid for all of the Series 2021-C Bonds. For the purpose of calculating the TIC, the principal amount of Series 2021-C Bonds designated by the bidder for mandatory sinking fund redemption as part of a term Bond, if any, shall be treated as a serial maturity in each year. In the event two or more bids offer the same lowest true interest cost, the City on behalf of itself and the Corporation, shall select among such bids in its sole discretion. The City Administrative Officer or any Assistant City Administrative Officer on behalf of the City and

the Corporation, is authorized to accept bids and to award the Series 2021-C Bonds or reject all bids.

It is expected that the Series 2021-C Bonds will be delivered to the successful bidder on or about [December 7], 2021. The Series 2021-C Bonds will be delivered through the facilities of DTC. The successful bidder shall pay for the Series 2021-C Bonds on the date of delivery in immediately available federal funds. Any expenses for providing federal funds shall be borne by the purchaser. Payment on the delivery date shall be made in an amount equal to the price bid for the Series 2021-C Bonds, less the amount of the Good Faith Deposit.

The Corporation has authorized the City to act as its agent with respect to the solicitation and award of bids for the Series 2021-C Bonds in accordance with the Notice Inviting Bids and in connection with such other actions as may be necessary or desirable to cause the Series 2021-C Bonds to be issued as provided in the Indenture. Copies of the Lease Agreement and Indenture will be furnished to any interested bidder upon request.

Interest Rate

Bidders must specify a rate of interest for each maturity of the Series 2021-C Bonds. Each rate bid must be in multiples of 1/8 or 1/100 of 1%. All Series 2021-C Bonds of the same maturity shall bear the same interest rate. Each Series 2021-C Bond must bear interest at the rate specified on BiDCOMP/Parity from its dated date to its maturity date. [In addition, no Series 2021-C Bond maturing on or after November 1, 20__ and on or before November 1, 20__ may bear an interest rate [less/more] than __% per annum.]

California Debt and Investment Advisory Commission

The successful bidder will be required to pay any fees due to the California Debt and Investment Advisory Commission under California law.

DTC Fee

All fees due DTC shall be paid by the successful bidder.

Ratings

The City has applied for ratings from [Kroll Bond Rating Agency and S&P Global Ratings]. The ratings are included in the Preliminary Official Statement available on the Internet at www.munios.com. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from the respective agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2021-C Bonds.

CUSIP Numbers

It is anticipated that CUSIP numbers will be printed on the Series 2021-C Bonds, but the City will assume no obligation for the assignment or printing of such numbers on the Series 2021-C Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchasers thereof to accept delivery of and make payment for the Series 2021-C Bonds. The cost for the assignment of CUSIP numbers to the Series 2021-C Bonds will be the responsibility of the successful bidder.

Good Faith Deposit

A Good Faith Deposit in the form of a wire transfer in the amount of \$[_____] for the Series 2021-C Bonds must be provided by each bidder as potential purchaser of the Series 2021-C Bonds (the “Purchaser”) not later than [8:00 a.m.], California time, on the date of sale.

Wire Transfers. Any Good Faith Deposit wire transfers must be received in federal funds prior to the deadline, and should be directed as follows:

Wiring Instruction:

BBK:	U.S. Bank N.A.
ABA:	091000022
BNF:	U.S. Bank Trust N.A.
A/C:	180121167365
OBI:	MICLA 2021-C Bonds — Good Faith Deposit
ATTN:	Cynthia Cerda 213-615-6032

Each bidder submitting the Good Faith Deposit by wire transfer must also send an email to: cynthia.cerda@usbank.com, cao.debt@lacity.org and lchoi@pragadvisors.com referencing “Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) Wire Transfer” and providing the name of the bidder and instructions for the return of the wire transfer should the bidder be unsuccessful, not later than [8:00 a.m.], California time, on the date of sale. For confirmation of receipt by U.S. Bank National Association of the Good Faith Deposit, contact Cynthia Cerda at (213) 615-6199. The wire transfers of unsuccessful bidders will be returned promptly after the examination of bids. The wire transfer of the successful bidder will be retained by the City and applied to the purchase price of the Series 2021-C Bonds at the time of delivery of the Series 2021-C Bonds. The City disclaims any liability for funds sent by wire transfer, except for any willful misconduct or reckless disregard for its duties. If after the award of the Series 2021-C Bonds, the successful bidder fails to complete the purchase on the terms stated in its bids, unless such failure of performance shall be caused by any act or omission of the City, any amount received from such bidder by the City shall be retained by the City, and the successful bidder agrees that it shall forfeit such Good Faith Deposit in order to effectuate the purposes of the City’s competitive bidding process. No interest will be paid by the City upon the Good Faith Deposit made by any bidder.

Right of Cancellation

Each successful bidder shall have the right, at its option, to cancel the contract to purchase the Series 2021-C Bonds if the City shall fail to execute and tender the Series 2021-C Bonds for delivery within 60 days from the date of sale thereof, and in such event the successful bidder shall be entitled to the return of the Good Faith Deposit accompanying its bid.

List of Members of Account

Bidders are requested to list on BiDCOMP/Parity the names of the members of the account on whose behalf the bid is made. The apparent successful bidder is required to further confirm members of its respective bidding group prior to final award.

Equal Opportunity

IT IS THE POLICY OF THE CITY OF LOS ANGELES TO PROVIDE MINORITY BUSINESS ENTERPRISES (“MBEs”), DISABLED VETERAN BUSINESS ENTERPRISE (“DVBE”), WOMEN BUSINESS ENTERPRISES (“WBEs”), DISADVANTAGED BUSINESS ENTERPRISES (“DBEs”) AND ALL OTHER BUSINESS ENTERPRISES (“OBEs”) AN EQUAL OPPORTUNITY TO PARTICIPATE IN THE PERFORMANCE OF ALL CITY CONTRACTS. BIDDERS ARE REQUESTED TO ASSIST THE CITY IN IMPLEMENTING THIS POLICY BY TAKING ALL REASONABLE STEPS TO ENSURE THAT ALL AVAILABLE BUSINESS ENTERPRISES, INCLUDING MBEs, DVBEs, WBEs, DBEs AND OBEs, HAVE AN EQUAL OPPORTUNITY TO PARTICIPATE IN CITY CONTRACTS.

Establishment of Issue Price

(a) The successful bidder shall assist the City in establishing the issue price of the Series 2021-C Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering prices to the public of the Series 2021-C Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the City and Bond Counsel.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Series 2021-C Bonds) will apply to the initial sale of the Series 2021-C Bonds (the “competitive sale requirements”) because it is expected that:

- (1) the City on behalf of itself and the Corporation, shall disseminate this Notice Inviting Bids to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;

- (3) the City on behalf of itself and the Corporation, will receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City on behalf of itself and the Corporation, will award the sale of the Series 2021-C Bonds to the bidder who submits a firm offer to purchase the Series 2021-C Bonds at the highest price (or lowest interest cost), as set forth in this Notice Inviting Bids.

Any bid submitted pursuant to this Notice Inviting Bids shall be considered a firm offer for the purchase of the Series 2021-C Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the City on behalf of itself and the Corporation, will reject all bids and cancel the sale.

Bidders should prepare their bids on the assumption that the issue price of the Series 2021-C Bonds will be the reasonably expected initial offering price to the public.

Closing Documents and Legal Opinion

Each bid will be understood to be conditioned upon the City furnishing to each successful bidder, without charge, concurrently with payment for and delivery of the Series 2021-C Bonds, the following closing documents, each dated the date of such delivery:

(a) the opinion of Nixon Peabody LLP, Bond Counsel to the City, in substantially the form attached to the Preliminary Official Statement as Appendix C;

(b) the opinion of Hawkins Delafield & Wood LLP, Disclosure Counsel, opining that, as of the closing date, no facts have come to the attention of Disclosure Counsel personnel which cause them to believe that the Official Statement as of its date (except that no opinion or belief is expressed as to the Appendices of the Official Statement other than Appendix A or any other financial, statistical and demographic data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, and information about book-entry, DTC, or the insurer, if any, contained in the Official Statement) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(c) a certificate of an appropriate official of the City concerning facts, estimates and circumstances in existence on the date of issue and various other matters relating to the exclusion of interest on the Series 2021-C Bonds under the Internal Revenue Code of 1986, as amended;

(c) the opinion of the City Attorney of the City of Los Angeles, acting on behalf of the City solely in his official capacity and not personally, that, to the best knowledge of the City Attorney, there is no litigation pending or threatened affecting the validity of the Series 2021-C Bonds, and certain other matters;

(d) a certificate of an appropriate official of the City acting on behalf of the City solely in his official capacity and not personally, that as of the date of the Official Statement pertaining to the Series 2021-C Bonds and at all times subsequent thereto up to and including the time of delivery of the Series 2021-C Bonds to the initial purchasers thereof such Official Statement together with any amendments thereto did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(e) a receipt of U.S. Bank National Association, as Trustee, showing that the purchase price of the Series 2021-C Bonds, including interest, if any, accrued to the date of delivery thereof, has been received by the City; and

(f) a Continuing Disclosure Certificate of the City, described under the caption “Continuing Disclosure” below.

Official Statement

The Preliminary Official Statement is in a form deemed final by the City within the meaning of the SEC Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”) although subject to revision, amendment and completion on conformity with such Rule. Electronic copies of the final Official Statement will be furnished without cost to the successful bidder.

The Preliminary Official Statement is available on the Internet at www.munios.com. Bidders will be required to confirm their consent to delivery of the Preliminary Official Statement in electronic form and their review of a complete copy of the Preliminary Official Statement, as a condition to the acceptance of their bid by the City on behalf of itself and the Corporation. The Internet posting of the Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the securities described in the Preliminary Official Statement, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

The City undertakes that for a period equal to the lesser of (a) 25 days following the end of the “underwriting period” as defined in the Rule; or (b) 90 days after the date of delivery of the Series 2021-C Bonds it will (i) apprise the successful bidder of all material developments, if any, occurring with respect to the City after delivery of the Series 2021-C Bonds; and (ii) if requested by the successful bidder, prepare a supplement to the final Official Statement with respect to any material development. The City will presume, unless notified in writing by the successful bidder, the end of the underwriting period will occur on the date of the delivery of the Series 2021-C Bonds. By making a bid on the Series 2021-C Bonds, the successful bidder agrees (A) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements prepared by the City, and to file a copy of the final Official Statement with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system (as provided by the Rule); and (B) to take any and all other actions necessary to comply with the applicable rules of the Securities and Exchange Commission and rules governing the offering, sale and delivery of the Series 2021-C Bonds to all purchasers, including the requirements of delivery of the final Official Statement.

Ratings in Effect

Each bid will be understood to be conditioned upon there being in place at the day of delivery of the Series 2021-C Bonds the same (or higher) rating or ratings, if any, as were in place with respect to the Series 2021-C Bonds at the time fixed for receiving bids.

Continuing Disclosure

In order to assist the successful bidder in complying with the Rule, the City will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information, and notices of the occurrence of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement and will be set forth in the final Official Statement.

Additional Information

Copies of the Indenture, the Site Lease, by and between the Corporation and the City, dated as of December 1, 2021, the Lease Agreement, the Assignment Agreement, by and between the Corporation and the Trustee, dated as of December 1, 2021, the Authorizing Resolution, the Corporation Resolution, this Notice Inviting Bids, the Continuing Disclosure Certificate and the Preliminary Official Statement will be furnished to any potential bidder upon request made to the City's Municipal Advisor at: Public Resources Advisory Group, lchoi@pragadvisors.com.

Bid Extension, Postponement or Cancellation

The City on behalf of itself and the Corporation, reserves the right to extend, postpone or cancel, at any time and from time to time, the date or time established for the receipt of bids. Any such extension, postponement or cancellation will be announced via The Municipal Market Monitor (TM3) at www.tm3.com. On any such alternative date or time for receipt of bids, any bidder may submit an electronic bid for the purchase of the Series 2021-C Bonds in conformity in all respects with the provisions of this Notice Inviting Bids except for the date of sale and except for the changes announced by The Municipal Market Monitor (TM3) at the time the sale date and time are announced.

Right To Modify or Amend

The City on behalf of itself and the Corporation, reserves the right to modify or amend this Notice Inviting Bids including, but not limited to, the right to adjust and change the aggregate principal amount of the Series 2021-C Bonds being offered. Such notifications or amendments shall be made not later than [2:00 p.m.], California time, on the business day immediately preceding the day of the bid opening and communicated through The Municipal Market Monitor (TM3) (www.tm3.com). In addition, the City on behalf of itself and the Corporation, reserves the right after the bid opening and prior to the award to change the aggregate amount of the Series 2021-C Bonds and the principal amount of each maturity. See "Adjustment of Principal Amount" above.

Sales

The City on behalf of itself and the Corporation, may, with prior notice, withdraw the Series 2021-C Bonds for sale.

Right To Reject Bids and To Waive Irregularities or Informalities

The City on behalf of itself and the Corporation, reserves the right, in its sole discretion, to reject any and all bids and, to the extent permitted by law, to waive any irregularity or informality in any bid.

[Remainder of page intentionally left blank]

Executed this [] day of November, 2021, by the City of Los Angeles, for and on behalf of itself and the Municipal Improvement Corporation of Los Angeles.

CITY OF LOS ANGELES

By _____
Assistant City Administrative Officer

EXHIBIT A
AUTHORIZATION TO ACCEPT ELECTRONIC BIDS
MANDATORY SUBMISSION

City of Los Angeles
Office of the City Administrative Officer
Room 1500
City Hall East
200 North Main Street
Los Angeles, CA 90012

Authorization to Accept Electronic Bids
(for the Series 2021-C Bonds described herein)

Ladies and Gentlemen:

We, the undersigned, _____ [name of firm] are considering submission of a bid on behalf of ourselves and others for the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) (the “Series 2021-C Bonds”) through the use of the electronic bidding service provider.

We have received and reviewed the Notice Inviting Bids dated [November __], 2021 for the Series 2021-C Bonds (the “Notice Inviting Bids”). We consent to the delivery of the Preliminary Official Statement to us in electronic form. We acknowledge that we have received and reviewed the Preliminary Official Statement in electronic format, which describes the Series 2021-C Bonds and provides certain information on the City of Los Angeles (the “City”) and the Municipal Improvement Corporation of Los Angeles (the “Corporation”).

We understand that the City on behalf of itself and the Corporation, has authorized the use of BiDCOMP/PARITY for the submission of electronic bids. This firm shall be hereinafter referred to as the “Approved Provider.”

If the City timely receives an electronic bid for the Series 2021-C Bonds in our name from the Approved Provider, we agree that:

(a) The City may regard the electronic submission of said bid through the Approved Provider (including information about the purchase price for the Series 2021-C Bonds and interest rate or rates to be borne by the various maturities of the Series 2021-C Bonds and any other information included in such transmission) as though the same information were submitted by us and executed on our behalf by a duly authorized signatory. If such bid is accepted by the City on behalf of itself and the Corporation, the terms of this letter, the Notice Inviting Bids and the information that is electronically

transmitted through the Approved Provider shall form a contract and we shall be bound by the terms of such contract.

(b) The City Charter requires an affidavit that the bid is genuine, not a sham or collusive, nor made in the interest of or on behalf of any person not named in the bid and that the bidder has not directly or indirectly induced or solicited any other bidder to put in a sham bid or any other person, firm or corporation to refrain from bidding, and that the bidder has not in any manner sought by collusion to secure for himself/herself an advantage over any other bidder. The electronic submission shall be deemed my certification/declaration under penalty of perjury that the above statement is true and correct and shall be deemed to be included in the bid.

(c) If there is any conflict between the information represented by the Approved Provider and the terms set forth in the Notice Inviting Bids, the terms set forth in the Notice Inviting Bids shall control.

(d) We understand that the Approved Provider is not an agent of the City and the City shall have no liability whatsoever based on our use of the Approved Provider, including but not limited to any failure by the Approved Provider to correctly or timely transmit information that we provide.

(e) We understand that we must, prior to [8:00 a.m.], California time, on the date of sale, email a duly executed copy of this Authorization to Accept Electronic Bids to: cao.debt@lacity.org and missa@pragadvisors.com.

(f) We understand that we must, prior to [8:00 a.m.], California time, on the date of sale, deliver (a) a Good Faith Deposit in the amount of \$[] by wire to: BBK: U.S. Bank National Association ABA: [], BNF: [], A/C: [], A/C NAME: [], ATTN: Cynthia Cerda and send a confirmatory email to cynthia.cerda@usbank.com, cao.debt@lacity.org and lchoi@pragadvisors.com.

(g) We understand that we must, prior to [8:00 a.m.], California time, on the date of sale, email our wire transfer instructions for return of our Good Faith Deposit if we are not the successful bidder to cynthia.cerda@usbank.com, cao.debt@lacity.org and lchoi@pragadvisors.com.

You may rely upon this letter, which has been executed on our behalf by an authorized signatory as of the date set forth below.

Dated: [], 2021

Respectfully submitted,

[NAME OF FIRM]

By _____

Name _____

Title _____

EXHIBIT B

\$(PRINCIPAL AMOUNT)

**Municipal Improvement Corporation of Los Angeles
Lease Revenue Bonds, Series 2021-C
(Capital Equipment and Real Property)**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. Pricing Wire or Equivalent Communication. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B

3. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [DATE].

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public

(including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Nixon Peabody LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

SCHEDULE A
EXPECTED OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

Exhibit H – Award Certificate

**CERTIFICATE OF THE CITY ADMINISTRATIVE OFFICER
OF THE CITY OF LOS ANGELES AWARDED
THE MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES LEASE
REVENUE BONDS, SERIES 2021-C (CAPITAL EQUIPMENT AND REAL PROPERTY)
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$[_____]]
TO BEST BIDDER AND REJECTING ALL OTHER BIDS**

The undersigned, as the Assistant City Administrative Officer of the City of Angeles, California (the “City”), does hereby certify, as follows:

1) by a resolution adopted on November 2, 2021 (the “City Authorizing Resolution”), the Council (the “Council”) of the City authorized the issuance of bonds of the Municipal Improvement Corporation of Los Angeles (the “Corporation”) to be designated the “Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property)” (the “Series 2021-C Bonds”) for the purpose of refinancing a portion of the outstanding commercial paper issued by the Corporation to finance and refinance various capital equipment and the acquisition, construction and improvement of certain real property (the “Outstanding Commercial Paper”);

2) by the City Authorizing Resolution, the Council authorized the preparation and publication of a Notice Inviting Bids (the “Notice Inviting Bids”) and a Notice of Intention to Sell Bonds (the “Notice of Intention to Sell Bonds”), and the printing and distribution of a preliminary official statement relating to the Series 2021-C Bonds (the “Preliminary Official Statement”);

3) by a resolution adopted on November 9, 2021 (the “Corporation Authorizing Resolution,” and, together with the City Authorizing Resolution, the “Authorizing Resolutions”), the Board of Directors of the Corporation (the “Board”) authorized the issuance of the Series 2021-C Bonds for the purpose of refinancing a portion of the Outstanding Commercial Paper;

4) by the Corporation Authorizing Resolution, the Board authorized the preparation and publication of the Notice Inviting Bids and the Notice of Intention to Sell Bonds, and the printing and distribution of the Preliminary Official Statement;

5) by the Corporation Authorizing Resolution, the Corporation has authorized and requested that the City act as agent for the Corporation in soliciting the best responsible bid for the Series 2021-C Bonds in accordance with the Notice Inviting Bids and to award the Series 2021-C Bonds to the best bidder and to reject all other bids;

6) by the Corporation Authorizing Resolution, the Corporation further authorized the City as its agent to take such other actions as may be necessary or desirable to cause the Series 2021-C Bonds to be issued, sold and delivered as provided in the Corporation Authorizing Resolution;

7) at the time and place fixed for the opening of bids for the Series 2021-C Bonds, all bids were publicly opened, examined and read;

8) the Authorizing Resolutions authorize and direct the City Administrative Officer, any Assistant City Administrative Officer and any of their designees (each, an “Authorized Representative”), on behalf of the City and the Corporation, to accept the best bid received for the Series 2021-C Bonds and to award the Series 2021-C Bonds to the best bidder and reject all other bids;

9) the Bid of [] attached hereto and marked Exhibit 1 (the “Bid”) specifying the purchase price for the Series 2021-C Bonds and the interest rates per annum, is the bid for the Series 2021-C Bonds producing the lowest true interest cost to the City; any irregularities or informalities in the Bid are hereby waived;

10) the Bid is hereby accepted and the Series 2021-C Bonds are awarded to said bidder in accordance with the terms of the Bid;

11) the procedures followed by the City and the Corporation in the bidding process for the sale of the Series 2021-C Bonds comply with the requirements of the City and the Corporation, respectively;

12) the award of the Series 2021-C Bonds as provided herein is in the best interest of the City;

13) all bids for the Series 2021-C Bonds other than the one accepted in paragraph 9 above are hereby rejected, and an Authorized Representative will direct U.S. Bank National Association, as custodian under the Good Faith Deposit Agreement with the City, to return the good faith deposit accompanying each rejected bid (if applicable) to the appropriate unsuccessful bidder;

14) the terms, including the dates, maturity dates, principal amounts, interest rates and redemption provisions of the Series 2021-C Bonds are attached hereto and marked Exhibit 2;

15) the refinancing of the Outstanding Commercial Paper on the terms of the accepted Bid is in the interest of the City; and

16) the estimated designated costs of issuing the Series 2021-C Bonds is \$[].

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned, for and on behalf of the City and the Corporation, has hereunto set his hand as of the [17th] of [November], 2021.

CITY OF LOS ANGELES, CALIFORNIA

Assistant City Administrative Officer

EXHIBIT 1

[See winning bid attached hereto.]

EXHIBIT 2

[See terms of the Series 2021-C Bonds attached hereto.]

Exhibit I – Good Faith Deposit Agreement

GOOD FAITH DEPOSIT AGREEMENT

Dated

[November 17], 2021

By and Between

CITY OF LOS ANGELES

and

U.S. BANK NATIONAL ASSOCIATION
as Custodian

RELATING TO THE MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES
LEASE REVENUE BONDS, SERIES 2021-C
(CAPITAL EQUIPMENT AND REAL PROPERTY)

GOOD FAITH DEPOSIT AGREEMENT

THIS GOOD FAITH DEPOSIT AGREEMENT, dated [November 17], 2021 (this “Agreement”), by and between the CITY OF LOS ANGELES, a charter city and municipal corporation duly organized and existing under the constitution and laws of the State of California (the “City”), for and on behalf of itself and the Municipal Improvement Corporation of Los Angeles (the “Corporation”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association existing under and by virtue of the laws of the United States of America, as custodian (the “Custodian”).

W I T N E S S E T H

WHEREAS, the City has approved, by resolution of the City Council adopted on, November 2, 2021 (the “Authorizing Resolution”), the issuance and sale of not to exceed \$200,000,000 aggregate principal amount of the Corporation’s Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property) (the “Series 2021-C Bonds”), to refinance a portion of the outstanding commercial paper issued by the Corporation to finance and refinance various capital equipment and the acquisition, construction and improvement of certain real property;

WHEREAS, the City and the Corporation propose to sell the Series 2021-C Bonds pursuant to a competitive bidding process; and

WHEREAS, the City has required each bidder for the Bonds to provide a good faith deposit in the amount of \$[_____];

WHEREAS, the Custodian has agreed to accept and hold good faith deposits made by wire transfers from bidders and to return such good faith deposits to the unsuccessful bidders by wire transfer promptly on the bid date after examination of the bids;

WHEREAS, the City, for and on behalf of itself and the Corporation, desires to enter into this Agreement with the Custodian in connection with such good faith deposits; and

NOW, THEREFORE, in consideration of the following, the City and the Custodian DO HEREBY AGREE as follows:

SECTION 1. Definitions. Terms used herein and not otherwise defined shall have the meanings given such terms in the Authorizing Resolution.

SECTION 2. Appointment of Custodian.

The City, for and on behalf of itself and the Corporation, hereby appoints the Custodian, and the Custodian hereby accepts its appointment and agrees to serve as custodian, with respect to the acceptance and return of the good faith deposits made by wire transfer, all in accordance with this Agreement.

SECTION 3. Good Faith Deposit Account.

There is hereby established an account to be known as the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C Good Faith Deposit Account (the “Good Faith Deposit Account”) to be held by the Custodian, in which the Custodian shall hold bidders’ good faith deposits sent to the Custodian by wire transfers. The Custodian will hold the good faith deposits in cash uninvested.

SECTION 4. Responsibilities of Custodian.

(a) The Custodian shall accept from each bidder by wire transfer a good faith deposit, provided that the bidder sends an email to the Custodian referencing (i) the Series 2021-C Bonds, (ii) the name of the bidder and (iii) instructions for the return of the wire transfer should the bidder be unsuccessful.

(b) The Custodian shall notify the City at cao.debt@lacity.org at [8:30 a.m.] California time on [November 17], 2021 of the names of the bidders from whom the Custodian has received good faith deposits and the amounts of such good faith deposits.

(c) After examination of the bids by the City, the City shall direct the Custodian to, from the Good Faith Deposit Account (1) promptly return by wire transfer the good faith deposits of the unsuccessful bidder(s) and (2) [wire transfer the successful bidder(s) good faith deposit(s) to a fund as directed by the City Administrative Officer.]

SECTION 5. Performance of Duties.

The Custodian agrees to perform the duties set forth herein and agrees that the irrevocable instructions to the Custodian herein provided are in a form satisfactory to it.

SECTION 6. Resignation.

The Custodian may resign at any time by giving written notice thereof to the City. Upon receipt of such written notice, the City shall promptly appoint a successor Custodian and notify the Custodian in writing of such appointment. Upon receipt of such notice from the City, the Custodian shall transfer all amounts held by it in the Good Faith Deposit Account to the City and upon such transfer, the Custodian shall be discharged of any further duties under this Agreement.

SECTION 7. Amendments.

The City and the Custodian may amend this Agreement or enter into such agreements supplemental to this Agreement as shall not be inconsistent with the terms and provisions of this Agreement or the Authorizing Resolution.

SECTION 8. Term.

This Agreement shall commence upon its execution and delivery and shall terminate on the date upon which any remaining amounts on deposit in the Good Faith Deposit Account have been transferred in accordance with this Agreement.

SECTION 9. Fees and Expenses.

The City agrees to pay amounts equal to the fees and expenses of the Custodian as provided in the fee schedule attached hereto as Exhibit A in consequence of this Agreement and the acceptance thereof by the Custodian. The Custodian shall not have any lien whatsoever upon any of the moneys deposited in accordance with the terms hereof for the payments of fees and expenses for services rendered by it under this Agreement.

SECTION 10. Indemnity.

The City agrees to indemnify the Custodian, its agents and its officers or employees for and hold the Custodian, its agents, officers or employees harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, reasonable fees and disbursements of counsel for the Custodian) which may be imposed on, incurred by, or asserted against the Custodian at any time by reason of the performance of its duties as Custodian hereunder in any transaction arising out of this Agreement or any of the transactions contemplated herein unless due to the Custodian's or its officers' or employees' or agents' negligence or willful misconduct. The Custodian's rights to indemnification hereunder shall survive its resignation or removal and the termination of this Agreement.

SECTION 11. Severability.

If any one or more of the covenants or agreements provided in this Agreement on the part of the City or the Custodian to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 12. Counterparts.

This Agreement may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. The parties further agree that facsimile signatures or signatures scanned into a portable document format (.pdf file) (or signatures in another electronic format designated by the City) and sent by e-mail shall be deemed original signatures.

SECTION 13. Governing Law.

This Agreement shall be construed under the laws of the State of California.

SECTION 14. Assignment.

This Agreement shall not be assigned by the Custodian or any successor thereto without the prior written consent of the City.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the City, for and on behalf of itself and the Corporation, and the Custodian have caused this Good Faith Deposit Agreement to be executed by their duly authorized officers and attested as of the date first above written.

CITY OF LOS ANGELES

By: _____
Assistant City Administrative Officer

U.S. BANK NATIONAL ASSOCIATION,
as Custodian

By: _____
Authorized Officer

EXHIBIT A

Schedule of Fees for Services as Good Faith Deposit Custodian

Custodial Fee	\$500.00
Includes performance of the routine duties as custodian of the Good Faith Deposit. This is a one-time fee payable at closing.	