

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 27, 2022

CAO File No. 0220-05291-1109

Council File No. 22-0032

Council District: All

To: The Mayor
The City Council

From: Matthew W. Szabo, City Administrative Officer


for

Reference: Los Angeles Wastewater System Revenue Bond Debt Financing Program

Subject: **ISSUANCE OF LOS ANGELES WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS, SERIES 2022-A (GREEN BONDS), SERIES 2022-B, AND REFUNDING SERIES 2022-C (COLLECTIVELY THE SUBORDINATE SERIES 2022 BONDS)**

RECOMMENDATIONS

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

1. ADOPT the Twenty-Seventh Supplemental Subordinate General Resolution, which authorizes the negotiated sale of up to \$750 million of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022, including refunding bonds, in one or more series, on a tax-exempt and taxable basis, proposes amendments and supplements to the Subordinate General Resolution which require bondholder consent, and authorizes the execution of various documents required to consummate the transactions, including approval for the City Administrative Officer to take necessary actions required to manage the transaction;
2. ADOPT the Thirtieth Supplemental General Resolution, which includes non-material amendments to Section 1.01, Section 5.07, and Section 6.09 of the Wastewater System Revenue Bonds General Resolution;
3. ADOPT the Fund Ordinance to create new special funds for the administration of the bond proceeds, to record accounting transactions in connection with the Bonds and prior commercial paper issuances, and for the purpose of payment of principal and interest on the Bonds, as submitted by the City Attorney under separate cover; and,
4. AUTHORIZE the City Administrative Officer to make technical changes and adjustments necessary to those transactions included in this report and to implement the intent of the City Council and the Mayor.

SUMMARY

The City Administrative Officer (“CAO”) requests authority to issue Los Angeles Wastewater (“LAWW”) System Subordinate Revenue Bonds, Series 2022-A (Green Bonds), Series 2022-B (Taxable) (together as “Series 2022-AB”), and Refunding Series 2022-C, (collectively the “Series 2022 Subordinate Bonds”) to: (i) refinance all or a portion of the outstanding LAWW Commercial Paper Notes, (ii) current refund all or a portion of the outstanding LAWW Subordinate Series 2010-A, Senior Series 2012-A, Subordinate Series 2012-B and Subordinate Series 2012-C, and Subordinate Variable Rate Refunding Series 2018-C-1 and Series 2018-C-2, and (iii) pay certain costs of issuing the Series 2022 Subordinate Bonds. The principal and interest on the Series 2022 Subordinate Bonds will be secured and payable solely from the revenues and from amounts in the Sewer Construction and Maintenance Fund (“SCM”). The General Fund of the City is not liable for the payment of the principal and interest on the Series 2022 Subordinate Bonds.

This Office recommends the sale of the Series 2022 Subordinate Bonds on a negotiated basis. This recommendation is based on the complexity of the legal structure, credit story, and the benefit of maintaining flexibility to control the timing of the sale of the bonds, and upon the advice of our municipal advisor. This Office finds that the use of a competitive sale is undesirable and impractical, and it is in the best interest of the City to sell the Series 2022 Subordinate Bonds through a negotiated basis. The CAO recommends using the following underwriting teams for each series of bonds:

| Series | Senior Manager | Co-Senior Manager | Co-Managers |
|---------|----------------|-------------------|-----------------------------------------------------------------------|
| 2022-AB | Morgan Stanley | Citi | Jefferies Siebert (MBE/WBE*) Cabrera Drexel |
| 2022-C | Jefferies | Goldman Sachs | Morgan Stanley Siebert (MBE/WBE*) Cabrera Drexel (SBE/DVBE*) |

* MBE = Minority Business Enterprise, WBE = Women Business Enterprise, SBE = Small Business Entity, DVBE = Disabled Veteran Business Entity

As part of the selection process, the CAO disseminated a mini-Request for Proposals (RFP) on January 29, 2021 to several underwriters from the City’s approved qualified list (C.F. 10-1763). As a team, the underwriters selected have the underwriting capacity and extensive institutional and retail investor networks to support and sell the Series 2022 Subordinate Bonds.

The CAO recommends the adoption of the Twenty-Seventh Supplemental Subordinate General Resolution (Attachment A), which authorizes the issuance of the Series 2022 Subordinate Bonds through a negotiated sale, proposed amendments and restatement of the Subordinate General Resolution, and the execution and delivery of documents related to the Series 2022 Subordinate Bonds, including the Preliminary Official Statements (Attachment B), Bond Purchase Agreements (Attachment C), and Escrow Agreement (Attachment D), and other related actions.

The CAO also recommends the adoption of the Thirtieth Supplemental Resolution (Attachment E), which authorizes non-material amendments to the General Resolution relating to Sections 1.01 (definition of balloon indebtedness), 5.07 (Emergency Fund), and 6.09 (Annual Financial Statements). These amendments are intended to clarify existing sections of the General Resolution and to update certain sections to be more reflective of the City's current practices and processes.

The Mayor and the City Council will need to approve an Ordinance establishing special funds for the Series 2022 Subordinate Bonds and an accounting fund related to prior commercial paper issuances. This report has been prepared by the City Attorney and has been submitted separately.

The sale of the Series 2022 Subordinate Bonds is scheduled for March 2022 and closing is scheduled for April 1, 2022.

These recommendations are in compliance with the City's Financial Policies. 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

There is no impact to the General Fund as a result of the recommendations contained in this report. The Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022 are payable solely from revenues and from amounts in the Sewer Construction and Maintenance Fund. All costs associated with these transactions shall be paid from bond proceeds or existing Sewer Construction and Maintenance funds, and in no event shall the General Fund be called upon for the repayment of any principal and interest on the Series 2022 Subordinate Bonds.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies in that debt service on the Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022 will be paid from the Sewer Construction and Maintenance Fund.

DEBT IMPACT STATEMENT

There is no debt impact to the City's General Fund from the approval of the recommendations in this report as debt service on all Los Angeles Wastewater System Revenue Bonds are paid from the Sewer Construction and Maintenance Fund. The issuance of approximately \$541.69 million (par amount) in Los Angeles Wastewater System Subordinate Series 2022-AB Bonds and Refunding Series 2022-C is currently expected to result in the City paying a total of approximately \$779.45 million, including \$237.76 million in interest, over 30 years at a true interest cost of approximately 2.20 percent. Debt service payments will commence on June 1, 2022. The average annual debt service for the Subordinate Series 2022 Bonds is \$25,838,236.80.

The proposed Refunding Series 2022-C Bonds are expected to generate savings over the life of the bonds for the SCM Fund. The estimated present value savings from the Refunding Series 2022-C Bonds is \$57.6 million or 12.96 percent of the refunded bonds.

These borrowing amounts and interest rates are based on market conditions as of January 19, 2022. Actual borrowing amounts and interest rates are subject to change based on market conditions at the time of pricing.

(Statement of Findings attached)

MWS:HT:SMS:09220106

FINDINGS

1. Background

The Series 2022 Subordinate Bonds are issued pursuant to the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the City Council on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”). Under the Subordinate General Resolution, the City has previously issued multiple series of Subordinate Bonds (the “Existing Subordinate Bonds”) that have a lien on Revenues subordinate to that of the Existing Senior Lien Bonds. As of January 1, 2022, the City currently has outstanding Subordinate Bonds in the aggregate principal amount of \$1,558,245,000, not including \$200,000,000 in aggregate principal of outstanding commercial paper notes. Pursuant to the Subordinate General Resolution, a reserve fund is not required for Subordinate Bonds, including the Series 2022 Subordinate Bonds.

2. Proposed Transactions and Use of the Bond Proceeds

The City Administrative Officer (“CAO”) requests authority to issue Los Angeles Wastewater (“LAWW”) System Subordinate Revenue Bonds, Series 2022-A (Green Bonds), Series 2022-B (Taxable), and Refunding Series 2022-C, collectively the “Series 2022 Subordinate Bonds” to: (i) refinance all or a portion of the outstanding LAWW Commercial Paper (“CP”) Notes, (ii) current refund all or a portion of the outstanding LAWW Subordinate Series 2010-A, Senior Series 2012-A, Subordinate Series 2012-B and Subordinate Series 2012-C, and Subordinate Variable Rate Refunding, Series 2018-C-1 and Series 2018-C-2, and (iii) pay certain costs of issuing the Series 2022 Subordinate Bonds. The principal and interest on the Series 2022 Subordinate Bonds will be secured and payable solely from the revenues and from amounts in the Sewer Construction and Maintenance Fund (“SCM”). The General Fund of the City is not liable for the payment of the principal and interest on the Series 2022 Subordinate Bonds.

Commercial Paper is a short-term borrowing mechanism used mostly for construction financing. CP notes, as opposed to long-term bonds have short maturities ranging from one to 270 days. Upon maturity, the CP notes are either resold in the short-term market or refinanced into long-term bonds. Long-term refinancing typically occurs when the amount of outstanding CP notes approaches the maximum LAWW CP Program limit, currently \$400 million. As of January 1, 2022 there is \$200 million of outstanding CP Notes, consisting of \$130 million in tax-exempt CP notes, and \$70 million in taxable CP notes. The Series 2022-A Bonds will refinance up to \$130 million of the outstanding tax-exempt CP Notes into long-term tax-exempt fixed rate bonds. The Series 2022-B Bonds will refinance up to \$70 million of the outstanding taxable CP Notes into taxable long-term fixed rate bonds. The proposed CP refinancing will free up \$200 million of LAWW’s CP capacity to be used on future capital projects.

The Refunding Series 2022-C Bonds are being issued to achieve interest savings, subject to the refunding parameters in the City’s Debt Management Policy. The purpose of this proposed refunding is to take advantage of market conditions and reduce the borrowing costs paid by the LAWW System. The proposed Refunding Series 2022-C Bonds are expected to generate savings over the life of the bonds for the SCM Fund. The estimated present value savings from the Refunding Series 2022-C Bonds is \$57.6 million or 12.96 percent of the refunded bonds, which exceeds the City’s goal of three percent.

This Office recommends the sale of the Series 2022 Subordinate Bonds on a negotiated basis. This recommendation is based on the complexity of the legal structure, credit story, the benefit of maintaining flexibility to control the timing of the sale of the bonds, and upon the advice of our municipal advisor. This Office finds that the use of a competitive sale is undesirable and impractical, and it is in the best interest of the City to sell the Series 2022 Subordinate Bonds through a negotiated basis.

The costs of issuance ("COI") for Series 2022 Subordinate Bonds include fees for bond counsel, disclosure counsel, municipal advisors, rating agencies, investor outreach, underwriters' discount, which is the compensation the underwriters receive for marketing the bonds, and other associated costs. COI will be paid solely from bond proceeds. At this time, the estimated total COI amount for Series 2022 Subordinate Bonds is \$2.1 million.

3. Green Bonds

The Series 2022-A Bonds will carry a "Green Bond" designation. Green Bonds are issued for capital projects that are sustainable or environmentally-focused and are attractive to a growing group of investors who have mandates to invest in socially responsible endeavors. Previously, the LAWW Revenue Bonds Series 2015-A, Series 2015-C, Series 2017-A, Series 2017-B, Series 2017-C, and Series 2018-A Bonds were also issued with the Green Bond designation.

The City has defined the capital improvements to be financed with the proceeds of the Series 2022-A Subordinate Bonds as "Green Projects" based on the environmental benefits of such capital improvements. The purpose of designating the Series 2022-A Subordinate Bonds as Green Bonds is to allow investors to invest directly in bonds which finance environmentally beneficial Green Projects. The particular capital improvements that the City has defined as Green Projects include improvements to wastewater system facilities which support the overall treatment objective of meeting the discharge standards in the City's National Pollutant Discharge Elimination System (NPDES) permits under the federal Clean Water Act; wastewater conveyance and pumping facilities; water recycling projects; and air quality projects that support the construction and operation of the City's wastewater system facilities.

The proceeds of the Series 2022-A Subordinate Bonds will be deposited into the Wastewater System Commercial Paper Program Account to pay all or a portion of the Outstanding Wastewater System Commercial Paper Notes at their respective maturity dates.

The City has filed annual reports regarding the use of the proceeds of previously-designated Green Bonds of the Wastewater System on the EMMA website at <http://www.emma.msrb.org>, while proceeds remained unspent. All of the proceeds of the Series 2022-A Subordinate Bonds will be expended upon the issuance to retire outstanding Wastewater System Commercial Paper Notes which were previously expended on capital improvements which has been described in the Preliminary Official Statement. As such, no further reporting to the investment community will be provided for the Series 2022-A Subordinate Bonds.

4. Springing Amendments to the Master Resolutions

Amended and Restated Subordinate General Resolution

The City is planning to amend and restate the Subordinate General Resolution to include several material amendments. The form of these changes is included as Exhibit A to the Twenty-Seventh Supplemental Subordinate General Resolution (Attachment A). The Preliminary Official Statements for the Series 2022 Subordinate Bonds will also include a marked copy of the Amended and Restated Subordinate General Resolution which shows the amendments and modifications that the City intends to make to the Subordinate General Resolution.

The Amended and Restated Subordinate General Resolution will effectuate several significant amendments to the Subordinate General Resolution, including:

- Increase in percentage of bondholders required to accelerate (51 percent versus 25 percent);
- Amend Section 3.09 of the Subordinate General Resolution to provide that Average Annual Debt Service will be used to calculate the test for the issuance of additional Subordinate Bonds (as compared to Maximum Annual Debt Service, which is currently set forth in the Subordinate General Resolution); and,
- Amend Section 6.03 of the Subordinate General Resolution to permit the City to use any monies in the SCM Fund to satisfy the Rate Covenant and to make other modifications.

There are also other amendments to the Subordinate General Resolution contained within the Amended and Restated Subordinate General Resolution that are intended to modernize and improve the outdated master indenture.

Under the Subordinate General Resolution, the Amended and Restated Subordinate General Resolution will not become effective until bondholders owning 51 percent or more of the then-outstanding Subordinate Bonds have consented to such proposed amendments and the other requirements of the Subordinate General Resolution have been satisfied. The City is planning to effectuate these consents through a “springing consent” process, which means that the City will require the holders of each new series of Subordinate Bonds that it issues, including the Series 2022 Subordinate Bonds, to be deemed to have consented to the Amended and Restated Subordinate General Resolution until the requisite consents have been obtained. After giving effect to the issuance of the Series 2022 Subordinate Bonds as contemplated in this report, the City expects that it would have the consent to the Amended and Restated Subordinate General Resolution of approximately 36 percent of the then-outstanding Subordinate Bonds. This Office will transmit the Amended and Restated Subordinate General Resolution to the City Council for final adoption when the threshold consents (51 percent or more) have been obtained at a later date.

The City has authorized a maximum of \$400 million aggregate principal amount of Subordinate Bonds in the form of Wastewater System Commercial Paper Notes. Under the Subordinate General Resolution, the City may secure a portion of the consents from the holders of Wastewater System Commercial Paper Notes, which the City could also secure by requiring future holders of

Wastewater System Commercial Paper Notes to be deemed to consent to the Amended and Restated Subordinate General Resolution.

Future Amendment of Senior General Resolution

The City plans to amend and restate the Senior General Resolution to make similar amendments to the Senior General Resolution. Many of these amendments will be conforming amendments to mirror provisions shared by both the Senior General Resolution and the Subordinate General Resolution, including substantially the same changes to Sections 3.09 and 6.03 as described above. The City also plans to make additional amendments to provisions in the Senior General Resolution that are not mirrored in the Subordinate General Resolution, including the elimination of the Reserve Fund and the Emergency Fund which currently has impractical provisions for its use, with respect to both existing and future Senior Lien Bonds.

The City also plans to secure consents from the holders of the Senior Lien Bonds on a “springing consent” basis by requiring holders of the Senior Lien Bonds the City issues in the future to consent to these amendments. These amendments to the Senior General Resolution do not require the consent of Bondholders of the Subordinate Bonds; however, for clarity these amendments are disclosed in the Preliminary Official Statements for the Series 2022 Subordinate Bonds. These amendments will not become effective until Bondholders owning 51 percent or more of the then-outstanding Senior Lien Bonds have consented to such proposed amendments and any other requirements of the Subordinate General Resolution have been satisfied.

These changes described above will not be effectively introduced until the next issuance of Senior Lien Bonds.

5. Section 5852.1 of the California Government Code

Section 5852.1 of the California Government Code requires that prior to the authorization of the issuance of bonds with a term greater than 13 months, the governing body of a public entity shall obtain and disclose specified information regarding the bonds in a meeting open to the public. The amounts below are good faith estimates as of January 19, 2022, and subject to change at the time of issuance. The following information is required under Section 5852.1:

1. True interest cost (“TIC”) of the bonds;
2. Finance charge of the bonds (Sum of all fees and charges paid to third parties, including “Costs of Issuance”);
3. Amount of proceeds received from the sale of the bonds; and,
4. Total payment amount (“Total Debt Service”).

The table below contains the financing information required by Section 5852.1:

| Series | True Interest Cost | Costs of Issuance and Third Party Fees | Amount of Proceeds ⁽¹⁾ | Total Debt Service ⁽²⁾ |
|---------------|---------------------------|-----------------------------------------------|------------------------------------------|------------------------------------------|
| 2022-AB | 3.01% | \$ 701,158 | \$ 200,000,000 | \$307,871,352 |
| 2022-C | 1.24% | \$ 1,363,979 | \$ 439,366,950 | \$471,582,125 |

(1) Net of all fees and charges paid to third parties, including Costs of Issuance.

(2) Includes total principal and interest to maturity.

6. Financing Team

The firms providing municipal advisory services for this financing is Public Resources Advisory Group, Inc. (Local Business Enterprise), and KNN Public Finance, LLC were previously approved by the Mayor and City Council (C.F. 19-0355). Nixon Peabody LLP (Local Business Enterprise) serves as Bond and Tax Counsel and Kutak Rock LLP (Local Business Enterprise) serves as Disclosure Counsel. These law firms are on the City's qualified list of legal services for the City's various bond programs, previously approved by the Mayor and City Council (C.F. 12-0917).

As part of the process for selecting the underwriting team, the CAO disseminated a mini Request for Proposals ("RFP") on January 29, 2021 to several underwriters from the City's approved qualified list (C.F. 10-1763). The CAO reviewed proposals submitted by 13 firms and recommends the following underwriting teams for each series of the Subordinate Series 2022 Bonds:

| Series | Senior Manager | Co-Senior Manager | Co-Managers |
|---------------|-----------------------|--------------------------|-----------------------------------------------------------------------|
| 2022-AB | Morgan Stanley | Citi | Jefferies Siebert (MBE/WBE*) Cabrera Drexel |
| 2022-C | Jefferies | Goldman Sachs | Morgan Stanley Siebert (MBE/WBE*) Cabrera Drexel (SBE/DVBE*) |

* MBE = Minority Business Enterprise, WBE = Women Business Enterprise, SBE = Small Business Entity, DVBE = Disabled Veteran Business Entity

As a team, the underwriters selected have the underwriting capacity and extensive institutional and retail investor networks to support and sell the bonds.

7. Findings Related to Negotiated Sale of the Bonds and Selection of Professionals Pursuant to Charter Sections 371(e)(2) and 371 (e)(10)

This Office finds and recommends that due to the complex legal structure and credit story of the Series 2022 Subordinate Bonds and the benefits of maintaining flexibility and control of the timing and manner of the sale in the current market conditions, and upon the advice of its municipal advisors, the use of competitive bidding required under Section 371 of the Charter to sell the Series

2022 Subordinate Bonds would be undesirable and impractical and that it is in the best financial interest of the City to propose to sell the bonds through a negotiated sale.

In addition, this Office finds and recommends that due to the technical nature of the services required for the sale and issuance of the Series 2022 Subordinate Bonds, which services are of a temporary and occasional character, and upon the advice from the City Attorney with respect to legal professionals, the use of competitive bidding required under Section 371 of the Charter to select legal and other professionals necessary for the sale and issuance of the Series 2022 Subordinate Bonds would not be practicable, advantageous, or compatible with the City's best interest.

8. Required Documents

To proceed with the recommended transactions for the Series 2022 Subordinate Bonds, the City Council will need to adopt the Twenty-Seventh Supplemental Subordinate General Resolution (Attachment A), which provides for the approval of the following:

- Form of the Series 2022 Subordinate Bond (Exhibit A)
- Form of the Amended and Restated Subordinate General Resolution (Exhibit B)
- Preliminary Official Statements (POS), which is the primary disclosure and marketing document for the bonds (Attachment B). It describes the proposed bond issuance, the Wastewater System, and security for the bonds. It also includes a form of the Continuing Disclosure Certificate, Audited Financial Statements and Debt Compliance Report for the System, and an abbreviated version of the City's disclosure statement;
- Form of the Continuing Disclosure Certificate which is included in the POS as Appendix H;
- Bond Purchase Agreements, which is the agreement between the City and the underwriters for the sale and purchase of the bonds (Attachment C); and,
- Escrow Agreement, which provides for the administration of the Refunded Bonds (Attachment D).

An accompanying City Attorney report and proposed ordinance (C.F. 22-0032), submitted under separate cover, will need to be approved to amend the Los Angeles Administrative Code to establish the necessary special funds for the Series 2022 Subordinate Bonds and an accounting fund for prior commercial paper issuances.

Thirtieth Supplemental General Resolution

The Thirtieth Supplemental Resolution (Attachment E), authorizes non-material amendments to the General Resolution relating to Sections 1.01 (definition of balloon indebtedness), 5.07 (Emergency Fund), and 6.09 (Annual Financial Statements). These amendments are intended to clarify existing sections of the General Resolution and to update certain sections to be more reflective of the City's current practices and processes. This Office also recommends adoption of the Thirtieth Supplemental General Resolution.

ATTACHMENTS

Attachment A – Twenty-Seventh Supplemental Subordinate Resolution

Exhibit A – Form of the Series 2022 Subordinate Bond

Exhibit B – Form of the Amended and Restated Subordinate General Resolution

Attachment B – Preliminary Official Statements

Attachment C – Bond Purchase Agreements

Attachment D – Escrow Agreement

Attachment E – Thirtieth Supplemental General Resolution

ATTACHMENT A

THE COUNCIL OF THE CITY OF LOS ANGELES

TWENTY-SEVENTH SUPPLEMENTAL RESOLUTION

Adopted by the Council of the City on
February ___, 2022
and

SUPPLEMENTING THE
WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS GENERAL RESOLUTION

Which Was
Adopted by the Council of the City on
March 26, 1991

AND AUTHORIZING AND APPROVING THE ISSUANCE OF
WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS, SERIES 2022,
INCLUDING REFUNDING BONDS, IN ONE OR MORE SERIES, ON A TAX-EXEMPT
AND TAXABLE BASIS, THE NEGOTIATED SALES OF SUCH BONDS, THE
EXECUTION AND DELIVERY OF DOCUMENTS RELATED THERETO AND RELATED
ACTIONS, AND PROPOSING AMENDMENTS AND SUPPLEMENTS TO THE
SUBORDINATE GENERAL RESOLUTION

TWENTY-SEVENTH SUPPLEMENTAL RESOLUTION

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(This table of contents is not part of the Twenty-Seventh Supplemental Resolution and has been added only for convenience of reference. The captions herein are of no legal effect and do not vary the meaning or legal effect of any part of this Twenty-Seventh Supplemental Resolution.)

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TWENTY-SEVENTH SUPPLEMENTAL RESOLUTION

Providing for

City of Los Angeles Wastewater System Subordinate Revenue Bonds Series 2022

WHEREAS, the City Council (the “Council”) of the City of Los Angeles (the “City”) on November 10, 1987 adopted a resolution designated as the “Wastewater System Revenue Bonds General Resolution,” as supplemented by supplemental resolutions thereto (collectively, the “General Resolution”), which sets forth the basic terms under which the City may issue wastewater system revenue bonds and which provides for a pledge of Revenues (as defined in the General Resolution) to secure all Bonds (defined below) issued thereunder; and

WHEREAS, the General Resolution provides that each Series of Bonds issued thereunder shall be authorized by, and the terms thereof set forth in, a Supplemental Resolution; and

WHEREAS, the Council, by resolution adopted on February 24, 1987, submitted to the qualified voters of the City the proposition of issuing bonds pursuant to the procedures set forth in the Revenue Bond Law of 1941, §54300 *et seq.* of the California Government Code (the “Revenue Bond Law”) for the purpose of financing a portion of a major wastewater system improvement program; and

WHEREAS, at three elections, the voters voting on the respective propositions authorized a total of \$3,500,000,000 in bonds for the purpose of financing a portion of a major wastewater system improvement program; and

WHEREAS, on June 8, 1999, the City adopted a new Charter of the City (the “Charter”), which Charter became operative on and as of July 1, 2000; and

WHEREAS, pursuant to Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”), the Council, exercising the powers reserved to the City under the Constitution of the State of California, and its powers under Section 361 of the Charter, may determine that revenue bonds, notes and other indebtedness or obligations (as defined in said Article 6.7 and as used for purposes of this preamble, “Bonds”) be issued as provided in said Article 6.7 for the purpose of financing project costs, refunding outstanding Bonds, establishing reserves and paying costs of issuance in connection with such Bonds, payable from the SCM Fund (as defined in the General Resolution), and the Procedural Ordinance shall provide a complete alternative method of issuing such Bonds without a vote of qualified voters in the City; and

WHEREAS, the City has, under the General Resolution and individual supplemental resolutions thereto, issued wastewater system revenue bonds, all of which are Senior Lien Bonds (to the extent Outstanding) and are collectively referred to herein as the “Prior Senior Bonds,” \$971,695,000 of which are Outstanding as of the date hereof; and

WHEREAS, the Council on March 26, 1991 adopted a resolution designated as the “Wastewater System Subordinate Revenue Bonds General Resolution,” as supplemented by supplemental resolutions thereto (collectively, the “Subordinate General Resolution”), which sets forth the basic terms under which the City may issue wastewater system subordinate revenue bonds and which provides for a pledge of Revenues to secure all Subordinate Bonds (as defined in the Subordinate General Resolution) issued thereunder on a basis subordinate to the Senior Lien Bonds issued under the General Resolution; and

WHEREAS, the City has, under the Subordinate General Resolution and individual supplemental resolutions thereto, authorized the issuance of up to a maximum amount of \$400,000,000 of Wastewater System Commercial Paper Revenue Notes (the “Commercial Paper Notes”) and wastewater system subordinate revenue bonds, \$1,558,245,000 of which are outstanding as of the date hereof (the “Prior Subordinate Bonds”), all of which are Subordinate Bonds (to the extent Outstanding); and

WHEREAS, the Subordinate General Resolution provides that additional Subordinate Bonds may be issued in one or more Series, and the City has determined that it is now appropriate to authorize the issuance of one or more Series of Subordinate Bonds, designated as Wastewater System Subordinate Revenue Bonds Series 2022, with such additional Series and subseries designations, including “Refunding Bonds,” “Taxable” and “Green Bonds,” as shall be deemed necessary or appropriate as provided herein (the “Series 2022 Subordinate Bonds”), through the adoption of this Twenty-Seventh Supplemental Resolution (the “Twenty-Seventh Supplemental Resolution”) for the purpose of (i) refunding all or a portion of the outstanding Prior Senior Bonds (the “Refunded Senior Bonds”), (ii) refunding all or a portion of the outstanding Prior Subordinate Bonds (the “Refunded Subordinate Bonds,” and, together with the Refunded Senior Bonds, the “Refunded Bonds”), (iii) paying all or a portion of outstanding Commercial Paper Notes when due, and (iv) paying the costs of issuance in connection with the issuance of any Series of the Series 2022 Subordinate Bonds; and

WHEREAS, Series 2022 Subordinate Bonds shall be issued pursuant to and in accordance with the procedures set forth in the Procedural Ordinance, and, with respect to any Series 2022 Subordinate Bonds designated as Refunding Bonds (the “Refunding Bonds”), Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 *et seq.* and Section 53580 *et seq.*, respectively) of the California Government Code (the “Refunding Law”) and the provisions of the Subordinate General Resolution, including this Twenty-Seventh Supplemental Resolution; and

WHEREAS, the Series 2022 Subordinate Bonds may be issued in one or more Series, on a tax-exempt and taxable basis, in such amounts and with such payment terms and details as the City Administrative Officer, upon the advice of the City’s municipal advisors shall determine to be in the City’s best interests and which are otherwise consistent with the provisions and parameters of the Subordinate General Resolution and this Twenty-Seventh Supplemental Resolution; and

WHEREAS, any refunding to be accomplished with the proceeds from the sale of any Series of the Series 2022 Subordinate Bonds issued pursuant to this Twenty-Seventh Supplemental Resolution will result in either (A) a minimum present value savings of 3.00% of the refunded par amount for any one refunding transaction, or (B) a desirable restructuring of debt or benefits to the

manageability and convenience of the bond financing and refunding program for the System, as determined by the City Administrative Officer, upon the advice of the City's municipal advisors, at or before the time of issuance and in accordance with the City's Debt Management Policy, dated September 23, 2020 (the "Debt Management Policy"); and

WHEREAS, the aggregate principal amount of Series 2022 Subordinate Bonds issued pursuant to this Twenty-Seventh Supplemental Resolution for the purpose of refunding Refunded Bonds shall not be limited in principal amount if such refunding satisfies the Debt Management Policy; and

WHEREAS, Sections 5450 *et seq.* of the California Government Code (the "Government Code") provide statutory authority for pledging collateral for the payment of principal or redemption price of, and interest on bonds, 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 City hereby warrants and represents that pursuant to the Subordinate General Resolution and this Twenty-Seventh Supplemental Resolution, the Owners of the Series 2022 Subordinate Bonds have a second priority perfected security interest in Revenues that serve as the collateral for the Series 2022 Subordinate Bonds pursuant to the Government Code; and

WHEREAS, the City has determined that one or more Series or subseries of the Series 2022 Subordinate Bonds may be issued as "Green Bonds"; and

WHEREAS, the City Administrative Officer finds and recommends that, pursuant to Sections 371(e)(2) and 371(e)(10) of the Charter, due to the complex legal structure and credit story of the wastewater revenue bonds and the benefits of maintaining flexibility and control of the timing and manner of the sale of the Series 2022 Subordinate Bonds in current market conditions, and upon the advice of its municipal advisor, the use of competitive bidding required under Section 371 of the Charter to sell the Series 2022 Subordinate Bonds would be undesirable and impractical and that it is in the best financial interest of the City to propose to sell the Series 2022 Subordinate Bonds through negotiated underwriting processes, provided that, if circumstances should change, nothing herein shall preclude the City from selling the Series 2022 Subordinate Bonds on a competitive basis; and

WHEREAS, the City Administrative Officer finds and recommends that, pursuant to Sections 371(e)(2) and 371(e)(10) of the Charter, due to the technical nature of the services required for the sale and issuance of the Series 2022 Subordinate Bonds, which services are of a temporary and occasional character, and upon advice from the City Attorney with respect to legal professionals, the use of competitive bidding required under Section 371 of the Charter to select legal and other professionals necessary for the sale and issuance of the Series 2022 Subordinate Bonds would not be practicable, advantageous, or compatible with the City's best interest; and

WHEREAS, it is desirable and necessary that the Council provide for the issuance, securing and sale of the Series 2022 Subordinate Bonds; and

WHEREAS, Section 11.02 of the Subordinate General Resolution permits the City by supplemental resolution to amend and supplement the Subordinate General Resolution and any Supplemental Resolution thereto, provided that certain conditions set forth in Section 11.02 of the Subordinate General Resolution have been satisfied, and the City has been advised by Bond Counsel that the proposed terms of this Twenty-Seventh Supplemental Resolution do not adversely affect the interests of the Bondholders, including the amendments set forth in Article X hereof; and

WHEREAS, the City has received an opinion of Bond Counsel in accordance with Section 11.02 of the Subordinate General Resolution; and

WHEREAS, Section 11.03 of the Subordinate General Resolution permits the City by supplemental resolution to amend and supplement the Subordinate General Resolution and any Supplemental Resolution thereto and Section 11.03 of the Subordinate General Resolution authorizes the City to distribute notice to all Bondholders of the Outstanding Subordinate Bonds of its intention to amend and restate the Subordinate General Resolution in the form attached hereto as Exhibit B (the “Amended and Restated Subordinate General Resolution”); and

WHEREAS, such Amended and Restated Subordinate General Resolution makes certain amendments to the First Supplemental Subordinate Resolution (as defined in the Amended and Restated Subordinate General Resolution); and

WHEREAS, the City proposes to circulate for approval of Bondholders a form of the Amended and Restated Subordinate General Resolution attached hereto as Exhibit B, which this Council intends to adopt in substantially such form when all required consents have been obtained; and

WHEREAS, any purchasers of the Series 2022 Subordinate Bonds shall be deemed to have granted their consent to the Amended and Restated Subordinate General Resolution by their purchase of the Series 2022 Subordinate Bonds; and

WHEREAS, the Twenty-Seventh Supplemental Resolution is adopted in accordance with the provisions of the Subordinate General Resolution;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City, as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.01. Definitions. Unless otherwise specifically provided in this Section, capitalized terms used in this Twenty-Seventh Supplemental Resolution shall have the meanings ascribed to them in the General Resolution or the Subordinate General Resolution. The following definitions shall apply to terms used in this Supplemental Resolution unless the context clearly requires otherwise:

“Authorized City Representative” means the Mayor, the City Clerk, the City Controller, the City Administrative Officer or a duly authorized designee of any of the foregoing, or any one

or more of them and, in addition to the foregoing, for the purpose of directing the investment of money under the Subordinate General Resolution only, the Treasurer, any Assistant Treasurer, the Chief Investment Officer or a duly authorized designee of any of the foregoing.

“Authorized Denominations” means denominations of \$5,000 and integral multiples thereof.

“Beneficial Owner” means, whenever used with respect to a Series 2022 Subordinate Bond, the person in whose name such Bond is recorded as the beneficial owner by a Participant on the records of such Participant or such person’s subrogee.

“Bond Purchase Agreement” means each agreement between the City and the respective Underwriters identified therein providing for the purchase by such Underwriters for reoffering of one or more Series of the Series 2022 Subordinate Bonds.

“Book-Entry Bonds” means the Series 2022 Subordinate Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of Section 3.05 hereof.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2022 Subordinate Bonds.

“City Administrative Officer” means the City Administrative Officer of the City, any Assistant City Administrative Officer of the City or any duly authorized designee thereof.

“Commercial Paper Notes” means the City’s Wastewater System Commercial Paper Revenue Notes which the City has issued and will issue from time to time on a parity with the other Subordinate Bonds, as authorized as of the date hereof under the Subordinate General Resolution, as supplemented.

“Continuing Disclosure Certificate” means each Continuing Disclosure Certificate executed by the City and dated the date of issuance and delivery of any Series of the Series 2022 Subordinate Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all costs and expenses incurred by the City in connection with the issuance of any Series of the Series 2022 Subordinate Bonds and the refunding of the Refunded Bonds, including, but not limited to, costs and expenses of printing and copying documents and the Series 2022 Subordinate Bonds, any fees incurred in connection with agreements described in Section 8.04 hereof, and the fees, costs and expenses of rating agencies, legal counsels, accountants, verification specialists, underwriters, municipal advisors, insurance consultants and other consultants and agents.

“Costs of Issuance Fund” means the fund by such name created pursuant to Section 6.03 hereof.

“Costs of Issuance Agreement” means each agreement between the City and the respective Custodian identified therein, and related to the deposit and use of a portion of the proceeds of any

one or more Series of the Series 2022 Subordinate Bonds to pay the Costs of Issuance of such Series of the Series 2022 Subordinate Bonds.

“DTC” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“Escrow Agent” means a financial institution appointed pursuant to Section 8.01 hereof to serve as escrow agent under an Escrow Agreement.

“Escrow Agreement” means each agreement between the City and the respective Escrow Agent identified therein, and related to the deposit, investment and use of a portion of the proceeds of any one or more Series of the Series 2022 Subordinate Bonds and the earnings thereon to pay principal of, and premium and interest on any Refunded Bonds and to pay the Costs of Issuance of such Series of the Series 2022 Subordinate Bonds.

“Fitch” means Fitch Ratings, Inc. and its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

“General Resolution” or “Senior Lien Resolution” means the resolution entitled “Wastewater System Revenue Bonds General Resolution” adopted by the Council on November 10, 1987 and setting forth the terms under which wastewater system Senior Lien Bonds may be issued and secured, as amended and supplemented from time to time in accordance with the terms thereof.

“Interest Payment Date,” for any Series of the Series 2022 Subordinate Bonds, means each June 1 and December 1, commencing on June 1, 2022, or such other interest payment dates as may be designated in the Bond Purchase Agreement with respect to such Series.

“Kroll” means Kroll Bond Rating Agency and its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

“Letter of Credit” means a Letter of Credit supporting a series of Refunded Subordinate Bonds.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Prior Senior Bonds” means, collectively, all Senior Lien Bonds issued by the City pursuant to the General Resolution prior to this Supplemental Resolution.

“Prior Subordinate Bonds” means, collectively, all Outstanding Subordinate Bonds issued by the City pursuant to the Subordinate General Resolution prior to this Supplemental Resolution; provided, that, as used in this Supplemental Resolution, the term “Prior Subordinate Bonds” does not include the Commercial Paper Notes.

“Record Date” means, for a June 1 Interest Payment Date, the close of business on the preceding May 15 and, for a December 1 Interest Payment Date, the close of business on the

preceding November 15, whether or not such day is a Business Day, or such other record dates designated in the Bond Purchase Agreement with respect to such Series.

“Refunded Bonds” means all or any of the Refunded Senior Bonds and the Refunded Subordinate Bonds to be refunded by the Series 2022 Subordinate Bonds, as the context may require.

“Refunded Senior Bonds” means all or any of the Prior Senior Bonds which are to be refunded by the Series 2022 Subordinate Bonds, which may include the Series 2012-A Senior Bonds, with the final determination to be based on market conditions.

“Refunded Subordinate Bonds” means all or any of the Prior Subordinate Bonds which are to be refunded by the Series 2022 Subordinate Bonds, which may include the Series 2010-A Subordinate Bonds, the Series 2012-B Subordinate Bonds, the Series 2012-C Subordinate Bonds, and the Series 2018-C Subordinate Bonds, with the final determination to be based on market conditions.

“Representation Letter” means the Blanket Letter of Representations from the City to DTC which Representation Letter applies to the Series 2022 Subordinate Bonds.

“Rule 15c2-12” means Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

“SCM Fund” means, collectively, the Sewer Construction and Maintenance Fund, the Sewer Operation and Maintenance Fund and the Sewer Capital Fund previously created by the City and more particularly described in Section 5.03 of the Senior Lien Resolution.

“Series” means any series of the Series 2022 Subordinate Bonds.

“Series 2010-A Subordinate Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2010-A (Tax-Exempt) issued pursuant to the Subordinate General Resolution and the Twelfth Supplemental Resolution.

“Series 2012-A Senior Bonds” means the City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2012-A issued pursuant to the General Resolution and the Twenty-Sixth Supplemental Resolution.

“Series 2012-B Subordinate Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2012-B issued pursuant to the Subordinate General Resolution and the Thirteenth Supplemental Resolution.

“Series 2012-C Subordinate Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2012-C issued pursuant to the Subordinate General Resolution and the Thirteenth Supplemental Resolution.

“Series 2018-C Subordinate Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Variable Rate Refunding Series 2018 C-1 and 2018 C-2 issued pursuant to the Subordinate General Resolution and the Twenty-Fifth Supplemental Resolution.

“Series 2022 Subordinate Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022 and the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2022 of each Series authorized to be issued pursuant to this Twenty-Seventh Supplemental Resolution.

“S&P” means Standard & Poor’s Corporation and its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

“Subordinate General Resolution” means the resolution entitled “Wastewater System Subordinate Revenue Bonds General Resolution” adopted by the Council on March 26, 1991 and setting forth the terms under which wastewater system Subordinate Bonds may be issued and secured, as amended and supplemented from time to time in accordance with the terms thereof.

“Tax Certificate” means the Tax Certificate relating to federal tax matters to be executed on behalf of the City at the time of issuance of any one or more Series of Tax-Exempt Series 2022 Subordinate Bonds, as amended from time to time.

“Tax-Exempt Series 2022 Subordinate Bonds” means the Series 2022 Subordinate Bonds issued as bonds the interest on which is exempt from federal income taxation.

“Taxable Series 2022 Subordinate Bonds” means the Series 2022 Subordinate Bonds issued as bonds the interest on which is not exempt from federal income taxation.

“Underwriters” means the respective underwriters identified in a Bond Purchase Agreement with the City with respect to any one or more Series of the Series 2022 Subordinate Bonds.

Section 1.02. Incorporation of Definitions in the Subordinate General Resolution. Except as otherwise provided in Section 1.01 hereof, all words, terms and phrases defined in the Subordinate General Resolution shall have the same meanings in this Twenty-Seventh Supplemental Resolution as in the Subordinate General Resolution. Except as otherwise provided in any Supplemental Resolution hereafter adopted, all terms which are defined in this Twenty-Seventh Supplemental Resolution, unless the context otherwise requires, shall have the same meanings in such Supplemental Resolution as in this Twenty-Seventh Supplemental Resolution.

Section 1.03. Article and Section References. Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this Twenty-Seventh Supplemental Resolution.

ARTICLE II

SECURITY AND AUTHORIZATION

Section 2.01. Subordinate General Resolution; Special Obligations. The Series 2022 Subordinate Bonds authorized by this Twenty-Seventh Supplemental Resolution are Subordinate Bonds issued under the terms of the Subordinate General Resolution and secured by and entitled to the security and the rights granted by the Subordinate General Resolution. The Series 2022

Subordinate Bonds shall be issued subordinate to the Prior Senior Bonds and any other Senior Lien Bonds issued hereafter and shall be issued on a parity with the Commercial Paper Notes, the Prior Subordinate Bonds and any other Subordinate Bonds issued hereafter.

The Series 2022 Subordinate Bonds shall be and are special, limited obligations of the City, and the City shall be obligated to pay the principal of, premium, if any, and interest on the Series 2022 Subordinate Bonds solely from the Revenues and from amounts in the SCM Fund and the Debt Service Fund. The General Fund of the City is not liable for the payment of the principal of, interest on or premium, if any, on the Series 2022 Subordinate Bonds. Neither the full faith and credit nor the taxing power of the City is pledged to pay the Series 2022 Subordinate Bonds. The pledge, assignment and lien on the Revenues granted pursuant to the Senior Lien Resolution to secure the Senior Lien Bonds shall, in all respects, be prior to the pledge, assignment and lien on the Revenues granted by the Subordinate General Resolution and this Twenty-Seventh Supplemental Resolution. The principal of and interest on the Series 2022 Subordinate Bonds and any premiums upon the redemption of any thereof are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues except the Revenues and amounts in the SCM Fund and the Debt Service Fund.

Section 2.02. Authorization. The Series 2022 Subordinate Bonds are hereby declared to be issued under the terms of the Charter, the Procedural Ordinance and, with respect to Refunding Bonds, the Refunding Law, as applicable, and secured as provided for in the Charter, the Procedural Ordinance and the Subordinate General Resolution; and provided, that the security provided for the Series 2022 Subordinate Bonds is also granted subordinate to the prior and senior lien to secure Senior Lien Bonds issued under the Senior Lien Resolution, and, on a parity with the lien granted to secure other Subordinate Bonds, including Commercial Paper Notes, issued under the Subordinate General Resolution, and provided that liens on the Revenues which are subordinate to the liens securing the Subordinate Bonds may be granted. The Series 2022 Subordinate Bonds may recite that they are issued pursuant to the Charter, the Procedural Ordinance and/or the Refunding Law, as applicable. It is hereby declared that the proceeds of the Series 2022 Subordinate Bonds issued as Refunding Bonds may be held in part and for such time as the City may deem advisable in trust for the protection of the owners of the Refunded Bonds.

ARTICLE III

DESCRIPTION OF THE SERIES 2022 SUBORDINATE BONDS

Section 3.01. Designation of the Series 2022 Subordinate Bonds; Principal Amounts. The Series 2022 Subordinate Bonds are hereby authorized to be issued in one or more Series (and any subseries thereof) under the Subordinate General Resolution and this Twenty-Seventh Supplemental Resolution. The aggregate principal amount of Series 2022 Subordinate Bonds issued pursuant to this Twenty-Seventh Supplemental Resolution, including to retire Commercial Paper Notes, shall not exceed \$750,000,000. The aggregate principal amount of Series 2022 Subordinate Bonds issued for the purpose of refunding Prior Senior Bonds and/or Prior Subordinate Bonds pursuant to this Twenty-Seventh Supplemental Resolution shall not be limited except as provided in the preambles hereto and Section 3.03 hereof. The Series 2022 Subordinate Bonds shall be issued in such principal amounts and shall be designated as the “City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022,” with such additional

Series and subseries designations (if any), including “Refunding Bonds,” “Taxable Bonds” and/or “Green Bonds,” as determined by the City. References herein to a Series of the Series 2022 Subordinate Bonds shall be equally applicable to a subseries thereof.

Section 3.02. Series 2022 Subordinate Bonds Under the Subordinate General Resolution; Security. The Series 2022 Subordinate Bonds are issued under, secured by and subject to the terms of the Subordinate General Resolution and are secured by the Revenues in accordance with the terms of the Subordinate General Resolution. The Series 2022 Subordinate Bonds are special obligations of the City payable only from the Revenues, the SCM Fund and the Debt Service Fund, and not from the general fund of the City, and the City is not obligated to pay the Series 2022 Subordinate Bonds from any other source.

Section 3.03. Terms of the Series 2022 Subordinate Bonds; Signature. The Series 2022 Subordinate Bonds shall be issued in Authorized Denominations and shall be issuable only as fully registered bonds. The Series 2022 Subordinate Bonds shall be signed by the Mayor or the City Administrative Officer and shall be authenticated by any Authorized City Representative. Any such signature may be by facsimile, except that on one of each Series 2022 Subordinate Bond there shall be at least one manual signature. The Series 2022 Subordinate Bonds shall be numbered as any Authorized City Representative shall determine.

The Series 2022 Subordinate Bonds of each Series, upon initial issuance, shall be dated the date of delivery (or have such other dated date as set forth in the Bond Purchase Agreement related to such Series). Each Series 2022 Subordinate Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is after a Record Date and on or prior to the next succeeding Interest Payment Date, in which event such Bond shall bear interest from such next succeeding Interest Payment Date or unless such date of authentication is on or before the first Interest Payment Date, in which event such Bond shall bear interest from its dated date. If interest on the Series 2022 Subordinate Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the Interest Payment Date to which interest has been paid in full on the Bonds surrendered.

Interest on the Series 2022 Subordinate Bonds shall be paid on each June 1 and December 1, commencing on June 1, 2022 (or such other interest payment dates as set forth in the Bond Purchase Agreement related to such Series). Interest shall be calculated on the basis of a year of 360 days and twelve 30-day months.

The Series 2022 Subordinate Bonds shall mature on June 1 (or on such other date as set forth in the Bond Purchase Agreement related to such Series) in the years and in the amounts, subject to prior redemption (if applicable), and bear interest at the annual rates set forth in the Bond Purchase Agreement related to such Series, provided, however, that the final maturity of the Series 2022 Subordinate Bonds will not be later than 40 years from the date of issuance of such Series and the true interest cost on the Series 2022 Subordinate Bonds of any Series will not exceed 5.00%.

Payment of principal of the Series 2022 Subordinate Bonds shall be made upon surrender of such Series 2022 Subordinate Bonds to the Treasurer, provided that, with respect to the Series 2022 Subordinate Bonds which are Book-Entry Bonds, the Treasurer may make other

arrangements for the payment of principal as provided in the Representation Letter. Payment of interest on Series 2022 Subordinate Bonds which are not Book-Entry Bonds shall be paid by check of the City or a Paying Agent, if a Paying Agent has been appointed, mailed by first-class mail, postage prepaid, to the registered owners at their addresses as they appear on the registration books maintained for the Series 2022 Subordinate Bonds. The payment of interest on Book-Entry Bonds shall be made as provided in Section 3.05 hereof. With respect to all Series 2022 Subordinate Bonds, interest shall be paid to the person who was, on the Record Date, the registered owner thereof. The Series 2022 Subordinate Bonds shall be substantially in the form set forth in Section 3.06 hereof. Principal, interest and premium, if any, will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts.

Interest on overdue principal of a Series 2022 Subordinate Bond and, to the extent lawful, on overdue interest on a Series 2022 Subordinate Bond will be payable at the stated interest rate on such Series 2022 Subordinate Bond on the day before the default occurred.

Any refunding to be accomplished with the proceeds from the sale of any Series of the Series 2022 Subordinate Bonds issued pursuant to this Twenty-Seventh Supplemental Resolution shall comply with the Debt Management Policy.

Section 3.04. Exchange and Transfer of Series 2022 Subordinate Bonds. Series 2022 Subordinate Bonds which are delivered to the Treasurer for exchange may be exchanged for an equal total unpaid principal amount of Series 2022 Subordinate Bonds of the same Series and maturity but of different Authorized Denominations. Series 2022 Subordinate Bonds presented to the Treasurer shall be transferred upon the registration books in accordance with the procedures determined by the Treasurer and as provided in Section 3.06 of the Subordinate General Resolution.

The Treasurer will not, however, be required to transfer or exchange any such Series 2022 Subordinate Bond during the period beginning 15 days before the mailing of notice calling any such Series 2022 Subordinate Bond for redemption and ending on the date notice of redemption is mailed nor to transfer or exchange any Series 2022 Subordinate Bond which has been selected for redemption.

Section 3.05. Book-Entry Bonds.

(a) Except as provided in subparagraph (c) of this Section 3.05, the registered owner of all of the Series 2022 Subordinate Bonds shall be DTC and the Series 2022 Subordinate Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of principal or interest for any Series 2022 Subordinate Bond registered in the name of Cede & Co. shall be made on the payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of Cede & Co. Such payments shall be made to Cede & Co. at the address which is, on the regular Record Date or special record date, as the case may be, shown for Cede & Co. in the registration books of the City.

(b) The Series 2022 Subordinate Bonds shall be initially issued in the form of a separate single authenticated fully registered Series 2022 Subordinate Bond for each separate stated maturity of the Series 2022 Subordinate Bonds. Upon initial issuance, the ownership of all Series

2022 Subordinate Bonds shall be registered on the registration books of the City in the name of Cede & Co., as nominee of DTC. The City may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2022 Subordinate Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Series 2022 Subordinate Bonds, respectively, selecting the Series 2022 Subordinate Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Subordinate General Resolution or this Twenty-Seventh Supplemental Resolution, registering the transfer of Series 2022 Subordinate Bonds, as the case may be, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and the City shall not be affected by any notice to the contrary. The City shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2022 Subordinate Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment to DTC or any Participant of any amount in respect of the principal of, redemption price of or interest on the Series 2022 Subordinate Bonds; any notice which is permitted or required to be given to Bondholders under the General Resolution or this Twenty-Seventh Supplemental Resolution; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2022 Subordinate Bonds; or any consent given or other action taken by DTC as Bondholder. The City shall pay all principal of and premium, if any, and interest on the Series 2022 Subordinate Bonds only to or “upon the order of” DTC (as that term is used in the Uniform Commercial Code as adopted in the State of California), and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations, with respect to the principal of and premium, if any, and interest on the Series 2022 Subordinate Bonds, respectively, to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Series 2022 Subordinate Bond evidencing the obligation of the City to make payments of principal of and premium, if any, and interest pursuant to the Subordinate General Resolution or this Twenty-Seventh Supplemental Resolution. Upon delivery by DTC to the City of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word “Cede & Co.” in this Twenty-Seventh Supplemental Resolution shall refer to such new nominee of DTC.

(c) If the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bond certificates and that such certificates should, therefore, be made available, and notifies DTC of such determination, then DTC will notify the Participants of the availability through DTC of Bond certificates. In such event the Treasurer shall authenticate and shall transfer and exchange Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2022 Subordinate Bonds at any time by giving written notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City shall be obligated to deliver Bond certificates as described in this Twenty-Seventh Supplemental Resolution. If Bond certificates are issued, the provisions of the General Resolution and this Twenty-Seventh Supplemental Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the City to do so, the City will cooperate with DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the Series 2022 Subordinate Bonds to

any DTC Participant having Series 2022 Subordinate Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2022 Subordinate Bonds.

(d) Notwithstanding any other provision of the Subordinate General Resolution or this Twenty-Seventh Supplemental Resolution to the contrary, so long as any Series 2022 Subordinate Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on such Series 2022 Subordinate Bond and all notices with respect to such Series 2022 Subordinate Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Subordinate General Resolution and this Twenty-Seventh Supplemental Resolution by the City with respect to any consent or other action to be taken by Bondholders, the City shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Bondholder.

Section 3.06. Form of Series 2022 Subordinate Bonds. The Series 2022 Subordinate Bonds of each Series (and any subseries thereof) shall be substantially in the form set forth in Exhibit A, with such additions, deletions and modifications as shall be necessary or appropriate to conform such form to the terms of such Series.

ARTICLE IV

REDEMPTION

Section 4.01. Notices to Bondholders. Prior to the redemption of any Series 2022 Subordinate Bonds, the City shall give notice to the registered owners of the Series 2022 Subordinate Bonds to be redeemed as provided in Section 4.03 of the Subordinate General Resolution. Such notice shall be given by Mail or by telecopy or other electronic means of communication, at least 20 days and not more than 60 days before the redemption date and shall be given to each registered owner of a Series 2022 Subordinate Bond to be redeemed.

In addition to the notice required by Section 4.03 of the Subordinate General Resolution, if, at any time, the Series 2022 Subordinate Bonds are no longer Book-Entry Bonds, then, upon any redemption, further notice shall be given by the City as set out below, but no defect in any such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption given hereunder shall contain the information required by Section 4.03 of the General Resolution plus (i) the CUSIP numbers of all Series 2022 Subordinate Bonds, or portions thereof being redeemed; (ii) the date of original issuance of the Series 2022 Subordinate Bonds; (iii) the rate of interest borne by the Series 2022 Subordinate Bonds being redeemed; (iv) the maturity date of the Series 2022 Subordinate Bonds being redeemed; (v) the redemption price or, if applicable, a description of the mechanism or method for

determining the redemption price; and (vi) any other descriptive information to identify accurately the Series 2022 Subordinate Bonds or portions thereof being redeemed.

Each further notice of redemption shall be sent at least 20 days before the redemption date by telecopy, registered or certified mail or overnight delivery service to:

The Depository Trust Company
55 Water Street
New York, NY 10041

and to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System at <http://emma.msrb.org/>.

Any notice given pursuant to this Section 4.01 may be conditional, other than notice of redemption from mandatory sinking fund payments pursuant to Section 4.03, and may be rescinded by written notice given by the City. Upon such rescission, the City shall give notice of such rescission in the same manner (i.e. by Mail or by telecopy or other electronic means of communication), and to the same persons, as notice of such redemption was given pursuant to this Section. Any optional redemption of the Series 2022 Subordinate Bonds and notice thereof shall be rescinded and cancelled if for any reason on the date fixed for redemption moneys are not available and held in trust for such purpose in an amount sufficient to pay in full on such date the principal of, interest, and any premium due on such Series 2022 Subordinate Bonds called for redemption.

Section 4.02. Optional Redemption of the Series 2022 Subordinate Bonds. The Series 2022 Subordinate Bonds of any Series may be subject to optional redemption as set forth in the Bond Purchase Agreement related to such Series. The Series 2022 Subordinate Bonds of any Series which are subject to optional redemption at par shall be subject to optional redemption not later than the tenth calendar year following the date of issuance of such Series 2022 Subordinate Bonds or as otherwise set forth in the Bond Purchase Agreement related to such Series. Additionally, any Taxable Series 2022 Subordinate Bond may be subject to make-whole optional redemption as set forth in the Bond Purchase Agreement related to such Series.

Section 4.03. Mandatory Sinking Fund Redemption of the Series 2022 Subordinate Bonds. The Series 2022 Subordinate Bonds of any Series shall be subject to mandatory sinking fund redemption as set forth in the Bond Purchase Agreement related to such Series. On or before the forty-fifth day prior to any mandatory sinking fund redemption date, the City shall proceed to select for redemption (by lot or pro rata in such manner as the City may determine and consistent with Section 4.05 herein), from all Series 2022 Subordinate Bonds subject to such redemption, an aggregate principal amount of such Subordinate Bonds equal to the amount for such year as set forth in the table in the Bond Purchase Agreement related to such Series and shall call such Subordinate Bonds or portions thereof in Authorized Denominations for redemption and shall give notice of such call. At the option of the City, the City may credit against any mandatory sinking fund redemption requirement the Series 2022 Subordinate Bonds or portions thereof in Authorized Denominations of the stated maturity subject to such redemption which, prior to said date, have been purchased by the City or redeemed (otherwise than under the provisions of this Section 4.03) and canceled and not theretofore applied as a credit against any mandatory sinking fund

redemption requirement. Each such Series 2022 Subordinate Bond or portion thereof so purchased or previously redeemed shall be credited by the City at one hundred percent (100%) of the principal amount thereof against the obligation of the City on such mandatory sinking fund redemption date.

Section 4.04. Payment of Series 2022 Subordinate Bonds Called for Redemption. Upon surrender to the Treasurer, Series 2022 Subordinate Bonds called for redemption shall be paid at the redemption price, including accrued and unpaid interest, if any, to the redemption date, provided that, with respect to Book-Entry Bonds, the City may make other arrangements for payment as provided in the Representation Letter.

Section 4.05. Selection of Series 2022 Subordinate Bonds for Redemption; Series 2022 Subordinate Bonds Redeemed in Part. The Tax-Exempt Series 2022 Subordinate Bonds which are subject to optional redemption will be selected among such maturities as the City may designate or, absent such designation, pro rata among maturities or as set forth in the Bond Purchase Agreement related to such Series. The Series 2022 Subordinate Bonds may be redeemed by lot or pro rata within any one maturity in a manner the City shall deem appropriate.

Upon surrender of a Series 2022 Subordinate Bond to be redeemed, the Authorized City Representative acting as Authenticating Agent or other Authenticating Agent, if one has been appointed, will authenticate for the holder a new Series 2022 Subordinate Bond of the same Series and maturity equal in principal amount to the unredeemed portion of the Series 2022 Subordinate Bond surrendered.

ARTICLE V

APPLICATION OF PROCEEDS

Section 5.01. Application of Proceeds. The proceeds of the sale of any Series of the Series 2022 Subordinate Bonds (and any subseries thereof) received by the City shall be applied by the City for the following purposes and in such amounts and in such manner as directed by the City in connection with such Series:

(a) the amount needed to pay Costs of Issuance associated with the issuance of such Series of the Series 2022 Subordinate Bonds shall be transferred to the respective Custodian for the Costs of Issuance Fund to be disbursed to pay the Costs of Issuance, pursuant to the applicable Cost of Issuance Agreement;

(b) the amount needed to refund the Refunded Senior Bonds shall be transferred to the Escrow Agent for the Refunded Senior Bonds and used to pay the Refunded Senior Bonds, pursuant to the applicable Escrow Agreement;

(c) the amount needed to refund the Refunded Subordinate Bonds shall be transferred to the Escrow Agent or paying agent for the related Refunded Subordinate Bonds and used to pay the respective Refunded Subordinate Bonds pursuant to the applicable Escrow Agreement or as otherwise directed by the City; and

(d) the amount needed to pay the Commercial Paper Notes when due shall be transferred to the Issuing and Paying Agent for the Commercial Paper Notes and deposited into the Commercial Paper Notes Debt Service Fund and used to pay the Commercial Paper Notes;

Notwithstanding the foregoing provisions of this Article V, the amount to be transferred to the respective Escrow Agent or paying agent for the Refunded Bonds may be paid directly by the Underwriters to such Escrow Agent or paying agent and, in such event, shall be deemed to have been received by the City and transferred to such Escrow Agent or paying agent.

ARTICLE VI

FUNDS

Section 6.01. Reserved.

Section 6.02. Debt Service Fund. The City will, by ordinance create one or more separate funds for the Series 2022 Subordinate Bonds, with such further designations identifying the Series (which may be one or more Series of the Series 2022 Subordinate Bonds) to which such fund shall relate, or as otherwise designated by the City, all as the City deems appropriate, within the City Treasury for each Series of the Series 2022 Subordinate Bonds, designated as the “Wastewater System Subordinate Revenue Bonds Debt Service Fund, Series 2022- [insert Series/subseries designation]” (collectively, the “2022 Subordinate Debt Service Funds”), which shall each be a Debt Service Fund as provided in the Subordinate General Resolution for the respective Series of the Series 2022 Subordinate Bonds. Amounts in the 2022 Subordinate Debt Service Funds shall be used to pay principal of, and interest and any premium on, the Series 2022 Subordinate Bonds as the same become due and payable.

Section 6.03. Costs of Issuance Fund. There is hereby authorized to be created under any one or more Costs of Issuance Agreements, one or more Costs of Issuance Funds for the Series 2022 Subordinate Bonds (collectively, the “Series 2022 Costs of Issuance Fund”). Amounts in the Series 2022 Costs of Issuance Fund shall be used to pay Costs of Issuance of the Series 2022 Subordinate Bonds. Any moneys remaining in the Series 2022 Cost of Issuance Fund after payment of all related Costs of Issuance shall be transferred to the 2022 Subordinate Debt Service Fund, as applicable.

ARTICLE VII
TAX COVENANTS

Section 7.01. Reserved.

Section 7.02. Tax Compliance.

(a) With respect to the Tax-Exempt Series 2022 Subordinate Bonds, the City hereby agrees that it will deliver and comply with the covenants and agreements set forth in the Tax Certificate for the Tax-Exempt Series 2022 Bonds, including creating funds by ordinance which will be held by the City if so required under the Tax Certificate for the Tax-Exempt Series 2022 Subordinate Bonds.

(b) The City shall not use or permit the use of any proceeds of Tax-Exempt Series 2022 Subordinate Bonds or any other funds of the City held under this Twenty-Seventh Supplemental Resolution or the Subordinate General Resolution, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the City, and shall not take or permit to be taken any other action or actions, which would cause any Tax-Exempt Series 2022 Subordinate Bond to be “federally guaranteed” within the meaning of Section 149(b) of the Code or an “arbitrage bond” within the meaning of Section 148 of the Code and applicable regulations promulgated from time to time thereunder.

Section 7.03. Additional Actions. The City shall at all times do and perform all acts and things permitted by law, the Subordinate General Resolution and this Twenty-Seventh Supplemental Resolution which are necessary or desirable in order to assure that interest paid on the Tax-Exempt Series 2022 Subordinate Bonds (or any of them) will be excluded from gross income of the recipient thereof for federal income tax purposes and shall take no action that would result in such interest being included in gross income for federal income tax purposes.

ARTICLE VIII
AGENTS

Section 8.01. Appointment of Agent. The City Administrative Officer is authorized to appoint one or more banks, trust companies or financial institutions as Escrow Agent for the purpose of accepting, holding, investing and applying funds to be used to refund the Refunded Bonds and to pay the Costs of Issuance related to any one or more Series of the Series 2022 Subordinate Bonds. The City hereby appoints U.S. Bank National Association as Escrow Agent for the Series 2022 Subordinate Bonds. The City may from time to time appoint a bank, trust company or other financial institution to serve as Paying Agent, Registrar or Authenticating Agent in place of or in addition to the City with respect to any Series of the Series 2022 Subordinate Bonds. The City hereby appoints the City Clerk as Authenticating Agent for the Series 2022 Subordinate Bonds.

Section 8.02. Resignation; Removal. Any entity at any time serving as Paying Agent, Authenticating Agent and/or Registrar may resign any one or more of such positions in accordance with the terms of its agreement with the City or may be removed by the City in accordance with

the terms of such agreement. An Escrow Agent may resign or be removed as provided in the applicable Escrow Agreement.

Section 8.03. Replacement. If the Paying Agent, Authenticating Agent, Registrar or other agent resigns or is removed, the City may appoint a new Paying Agent, Authenticating Agent or Registrar or may provide that such functions as were provided by the Paying Agent, Authenticating Agent and/or Registrar be undertaken directly by the City. A successor Escrow Agent can be appointed by the City only as provided in the respective Escrow Agreement.

Section 8.04. Appointment of Costs of Issuance Fund Custodian. The City hereby appoints U.S. Bank National Association as custodian (the “Custodian”) of the proceeds to be deposited in the respective Series 2022 Cost of Issuance Fund and hereby directs the Custodian to establish such funds and accounts in the name of the City for such purpose and to deposit and disburse amounts from such accounts pursuant to the agreement entered into with the Custodian or otherwise at the written direction of the City Administrative Officer or his designee.

ARTICLE IX

APPROVALS AND AUTHORIZATIONS

Section 9.01. Findings Related to Negotiated Sale of the Series 2022 Subordinate Bonds and Selection of Professionals. Pursuant to Sections 371(e)(2) and 371(e)(10) of the Charter, the Council hereby adopts the findings and recommendations of the City Administrative Officer that, due to the complex legal structure and credit story of the wastewater revenue bonds and the benefits of maintaining flexibility and control of the timing and manner of the sale of the Series 2022 Subordinate Bonds in current market conditions, and upon the advice of its municipal advisor, the use of competitive bidding required under Section 371 of the Charter to sell the Series 2022 Subordinate Bonds would be undesirable and impractical and that it is in the best financial interest of the City to propose to sell the Series 2022 Subordinate Bonds through negotiated underwriting processes with the Underwriters. The Council hereby approves the City Administrative Officer’s recommendation of the Underwriters. The City Administrative Officer or his designee may approve additional underwriters to participate in the underwriting syndicate as the City Administrative Officer or his designee shall approve as being in the best interests of the City, such approval to be conclusively evidenced by the City Administrative Officer’s or his designee’s execution and delivery of the applicable Bond Purchase Agreement. In addition, pursuant to Sections 371(e)(2) and 371(e)(10) of the Charter, the Council hereby adopts the findings and recommendations of the City Administrative Officer that, due to the technical nature of the services required for the sale and issuance of the Series 2022 Subordinate Bonds, which services are of a temporary and occasional character, and upon advice from the City Attorney with respect to legal professionals, the use of competitive bidding required under Section 371 of the Charter to select legal and other professionals necessary for the sale and issuance of the Series 2022 Subordinate Bonds would not be practicable, advantageous, or compatible with the City’s best interest.

Section 9.02. Approval of Bond Purchase Agreement. Each Bond Purchase Agreement in substantially the form before this Council is hereby approved. The City Administrative Officer is hereby authorized to execute and enter into each Bond Purchase Agreement with one or more of the Underwriters with respect to any one or more Series of the Series 2022 Subordinate Bonds,

in substantially the form presented to this Council, with such changes as such City Administrative Officer, upon the advice of the City Attorney, deems necessary and appropriate. The signature of any City Administrative Officer shall be sufficient to bind the City and cause the Bond Purchase Agreement to be a valid and binding obligation of the City. The Underwriters' discount under the respective Bond Purchase Agreement shall not exceed 0.5% of the aggregate principal amount of the Series 2022 Subordinate Bonds purchased thereunder.

Section 9.03. Approval of Escrow Agreements. The Escrow Agreement(s) in substantially the form before this Council is hereby approved. The City Administrative Officer is hereby authorized to execute and enter into one or more Escrow Agreements with an Escrow Agent in substantially the form presented to this Council with respect to any one or more Series of the Series 2022 Subordinate Bonds, with such changes as such City Administrative Officer, upon the advice of the City Attorney, deems necessary and appropriate. The signature of the City Administrative Officer shall be sufficient to bind the City and cause the Escrow Agreement(s) to be a valid and binding obligation of the City.

Section 9.04. Official Statement. The forms of the preliminary official statements relating to the Series 2022 Subordinate Bonds (the "Preliminary Official Statements") submitted to this Council with such changes therein, and in any supplement thereto, if applicable, as may be approved by the City Administrative Officer are hereby approved for use in connection with the public offering of the Series 2022 Subordinate Bonds. Upon approval of such additions and changes, whether material or otherwise, by the City Administrative Officer, the Preliminary Official Statements, and any supplement thereto, if applicable, shall be deemed final as of their respective dates, as evidenced by a certificate to such effect, except for the omission of certain information as provided in and pursuant to Rule 15c2-12. The City Administrative Officer, for and on behalf of the City, is hereby authorized to execute a final official statement for one or more Series of the Series 2022 Subordinate Bonds (the "Official Statement"), with such additions and changes therein, and in any supplement thereto, if applicable, whether material or otherwise, as he or she may require or approve, such approval to be conclusively evidenced by execution and delivery thereof. The distribution of the Official Statement, and any supplement thereto, if applicable, in connection with the public offering of each Series of the Series 2022 Subordinate Bonds is hereby approved.

Section 9.05. Continuing Disclosure. The Continuing Disclosure Certificates, in substantially the forms attached to the Preliminary Official Statements as Appendix H and are before this Council are hereby approved. The City Administrative Officer is hereby authorized to execute and enter into one or more Continuing Disclosure Certificates with respect to any one or more Series of the Series 2022 Subordinate Bonds in substantially the form presented to this Council, with such changes as such City Administrative Officer, upon the advice of the City Attorney, deems necessary and appropriate. The signature of the City Administrative Officer shall be sufficient to bind the City and cause the Continuing Disclosure Certificate(s) to be a valid and binding obligation of the City. The City hereby covenants and agrees that they will comply with and carry out all of their respective obligations under any such Continuing Disclosure Certificate for the Series 2022 Subordinate Bonds. Notwithstanding any other provision of the Subordinate General Resolution or this Twenty-Seventh Supplemental Resolution, failure of the City to comply with any such Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Beneficial Owner of the applicable Series 2022 Subordinate Bonds covered by such

Continuing Disclosure Certificate may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, as the case may be, to comply with its obligations under this Section. For purposes of this Section, “Beneficial Owner” means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any applicable Series 2022 Subordinate Bonds covered by such Continuing Disclosure Certificate (including persons holding such applicable Series 2022 Subordinate Bonds covered by such Continuing Disclosure Certificate through nominees, depositories or other intermediaries).

Section 9.06. Execution of Documents; Additional Actions and Ratification. The City Administrative Officer is hereby authorized to purchase or subscribe from time to time for the government obligations or other securities to be deposited in escrow in connection with the refundings contemplated by this Twenty-Seventh Supplemental Resolution, to authorize the Escrow Agent(s) to so subscribe, to enter into cash flow agreements, debt service agreements, forward supply contracts and other similar contractual obligations necessary or appropriate to effectuate the transactions contemplated by this Twenty-Seventh Supplemental Resolution, to execute any documents necessary to procure municipal bond insurance upon such terms as the City Administrative Officer determines (if the City Administrative Officer, upon the advice of the City’s municipal advisor, determines that such municipal bond insurance is cost effective), to execute such certificates (including the Tax Certificate), agreements, forms and other closing documents, including those relating to the tax-exempt status of the Tax-Exempt Series 2022 Subordinate Bonds and those relating to the securities depository, and such other instruments or documents as are necessary or appropriate to consummate the transactions contemplated by this Twenty-Seventh Supplemental Resolution, to execute such certificates, agreements, forms, extensions and other documents, including to execute an extension or extensions of the Letter of Credit supporting a series of Refunded Subordinate Bonds, necessary or appropriate to effectuate the transactions contemplated by this Twenty-Seventh Supplemental Resolution and to carry out the intent hereof. All actions heretofore taken by an officer, employees, agents or directors of the City and the review and execution of any documents, certificates and other instruments by any officer, employees, agents or directors of the City, regarding the matters set forth herein, including the extension or extensions of the Letter of Credit supporting a series of Refunded Subordinate Bonds, are hereby ratified, confirmed, adopted, authorized and approved. The City Administrative Officer is authorized and directed to do any and all things and to take any and all further actions to carry out the intent hereof. All of the agreements contemplated by this Twenty-Seventh Supplemental 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.

ARTICLE X AMENDMENTS TO THE SUBORDINATE GENERAL RESOLUTION

Section 10.01. Definitions. Section 1.01 of the Subordinate General Resolution is hereby amended to supplement and modify the definitions of the terms contained in the Subordinate General Resolution as follows:

“Balloon Indebtedness” shall mean, with respect to any Series of Subordinate Bonds and Senior Lien Bonds designated as “Balloon Indebtedness” by the City in a certificate at the time of issuance of such Series and with respect to which twenty-five percent (25%) or more of the principal matures on the same date or within a 12-month period, that portion of such Series which matures on such date or within such 12-month period; provided, however, that to constitute Balloon Indebtedness the amount of indebtedness maturing on a single date or over a 12-month period must equal or exceed 150% of the amount of such Series which matures during any preceding 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

“Business Day” shall, from and after the date of issuance of the Series 2022 Subordinate Bonds, with respect to Subordinate Bonds issued on or after the date of initial issuance of the Series 2022 Subordinate Bonds, means any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of California or the City or is a day on which banking institutions in the State of California or the City are authorized or required by law or other governmental action to close, and with respect to Subordinate Bonds issued prior to the date of the initial issuance of the Series 2022 Subordinate Bonds, means a day on which banks located in New York, New York and in Los Angeles, California are open; provided that such term may have a different meaning for any specified Series of Subordinate Bonds if so provided by Supplemental Resolution.

Section 10.02. Annual Financial Statements. Section 6.09(b) of the Subordinate General Resolution shall be amended to be read in full as follows:

(b) The City will prepare annually, within *270 days* after the close of each Fiscal Year, so long as any of the Subordinate Bonds are Outstanding, financial statements of the SCM Fund, the Debt Service Funds and the Reserve Funds, if any, and the Construction Funds for the preceding Fiscal Year, prepared in accordance with generally accepted accounting principles applied on a consistent basis from year to year which financial statements shall be examined by and include the certificate or opinion of an independent certified public accountant. The City will make the financial statements available for examination by any Bondholder or Beneficial Owner and will furnish a copy of the financial statements to any Bondholder or Beneficial Owner upon request. The City may charge a fee to cover the cost of copying.

ARTICLE XI MISCELLANEOUS

Section 11.01. Owners of Series 2022 Subordinate Bonds Deemed to Consent to the Amended and Restated Subordinate General Resolution. All Owners and Beneficial Owners of the Series 2022 Subordinate Bonds, by virtue of their purchase and acceptance of the Series 2022 Subordinate Bonds, shall be deemed to have consented to the provisions of the proposed form of the Amended and Restated Subordinate General Resolution, including the amendments to the First Supplemental Subordinate Resolution, attached hereto as Exhibit B.

Section 11.02. Notices.

(a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this Twenty-Seventh Supplemental Resolution or the Series 2022 Subordinate Bonds shall be in writing except as expressly provided otherwise in this Twenty-Seventh Supplemental Resolution or the Series 2022 Subordinate Bonds.

(b) Any notice or other communication, otherwise specified, shall be sufficiently given and deemed given when delivered by hand or by Mail or by such other means as is specifically provided therefor, and addressed as provided in the Subordinate General Resolution.

(c) Any addressee may designate additional or different addresses for purposes of this Section.

(d) If any of S&P, Fitch and/or Kroll shall have provided a credit rating for any of the Series 2022 Subordinate Bonds at the request of the City, the City shall give written notice to each of S&P, Fitch and/or Kroll then providing a credit rating on any of the Series 2022 Subordinate Bonds if at any time (i) payment of principal and interest on the Series 2022 Subordinate Bonds is accelerated pursuant to the provisions of Section 9.02(a) of the General Resolution or (ii) there is any amendment to the General Resolution or this Twenty-Seventh Supplemental Resolution. Notice, in the case of an event referred to in clause (ii) hereof, shall include a copy of any such amendment. Notices sent to S&P shall be addressed to Standard & Poor's, 55 Water Street, New York, New York 10041; notices sent to Fitch shall be addressed to Fitch at Fitch, Inc., One State Street Plaza, New York, New York 10004; notices sent to Kroll shall be addressed to Kroll Bond Rating Agency, 845 Third Avenue, New York, New York 10022, or to such other address as S&P, Fitch or Kroll, respectively, shall supply to the City.

Section 11.03. Limitation of Rights. Nothing expressed or implied in this Twenty-Seventh Supplemental Resolution or the Series 2022 Subordinate Bonds shall give any person other than the City, and the Bondholders any right, remedy or claim under or with respect to this Twenty-Seventh Supplemental Resolution.

Section 11.04. Supplemental Resolution a Contract. This Twenty-Seventh Supplemental Resolution (excluding Article XI hereof), together with the Subordinate General Resolution, is adopted by the City for the benefit of the Bondholders and together they constitute a contract with the Subordinate Bondholders.

Section 11.05. Severability. If any provision of the Twenty-Seventh Supplemental Resolution shall be determined to be unenforceable, that shall not affect any other provision of this Twenty-Seventh Supplemental Resolution.

Section 11.06. Payments due on Non-Business Days. If a payment date is not a Business Day, then payment may be made on the next Business Day, and no interest shall accrue for the intervening period.

Section 11.07. Governing Law. This Twenty-Seventh Supplemental Resolution shall be governed by and construed in accordance with the laws of the State.

Section 11.08. Captions. The captions in this Twenty-Seventh Supplemental Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Twenty-Seventh Supplemental Resolution.

Section 11.09. Effective Date. This Twenty-Seventh Supplemental Resolution shall take effect from and upon its adoption.

Approved as to Form

MICHAEL N. FEUER, City Attorney

By:  _____

Deputy City Attorney

EXHIBIT A

FORM OF SERIES 2022 SUBORDINATE BOND

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
CITY OF LOS ANGELES
WASTEWATER SYSTEM SUBORDINATE REVENUE BOND,
[REFUNDING] SERIES 2022- []

No.

Interest

Maturity Date

Dated Date

CUSIP No.

%

THIS SUBORDINATE BOND IS A SPECIAL, LIMITED OBLIGATION OF THE CITY OF LOS ANGELES. THE PRINCIPAL HEREOF, PREMIUM, IF ANY, AND INTEREST HEREON ARE PAYABLE SOLELY FROM CERTAIN WASTEWATER SYSTEM REVENUES AND OTHER AMOUNTS ON DEPOSIT IN CERTAIN SPECIAL LIMITED FUNDS AS DESCRIBED HEREIN. THIS SUBORDINATE BOND IS AN OBLIGATION THAT IS JUNIOR AND SUBORDINATE TO SENIOR LIEN BONDS (DEFINED BELOW) ISSUED UNDER THE GENERAL RESOLUTION (DEFINED BELOW) AS TO LIEN ON AND SOURCE AND SECURITY FOR PAYMENT FROM THE REVENUES. THE CITY IS NOT OBLIGATED TO MAKE PAYMENT HEREON FROM ANY OTHER SOURCE. THIS SUBORDINATE BOND IS NOT PAYABLE FROM THE GENERAL FUND OF THE CITY AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF ANY AMOUNTS DUE ON THIS SUBORDINATE BOND.

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$ _____

The City of Los Angeles (the “City”), a municipal corporation and a political subdivision of the State of California, organized and operating under the terms of the Charter of the City of Los Angeles (the “Charter”) and the Constitution of the State of California, promises to pay, from the sources described in this Subordinate Bond and not from any other sources, to the Registered

Owner set forth above or registered assigns, the Principal Amount set forth above on the Maturity Date set forth above, and to pay interest as provided in this Subordinate Bond.

This Subordinate Bond is authorized, issued and secured under the terms of that Wastewater System Subordinate Revenue Bonds General Resolution adopted by the Council of the City on March 26, 1991, as heretofore amended and supplemented (the “Subordinate General Resolution”), including by the terms of that Twenty-Seventh Supplemental Resolution Supplementing the Subordinate General Resolution, adopted by the Council on February __, 2022 (as hereinafter defined, the “Twenty-Seventh Supplemental Resolution”). This Subordinate Bond is issued pursuant to the authority of the Charter, Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City [and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 *et seq.* and Section 53580 *et seq.*, respectively) of the Government Code of the State of California].

All bonds, notes and other indebtedness, obligations or securities of any kind or class issued or incurred pursuant to the terms of the Wastewater System Revenue Bonds General Resolution adopted on November 10, 1987 (as heretofore amended and supplemented, the “General Resolution”) are referred to hereinafter as “Senior Lien Bonds” and are all equally and ratably secured by and payable from the Revenues and those funds described in the General Resolution.

Additional Senior Lien Bonds and Subordinate Bonds may be issued from time to time under the terms of the General Resolution and Subordinate General Resolution, respectively, and all such additional Senior Lien Bonds and Subordinate Bonds will be equally and ratably secured with the Prior Senior Lien Bonds and Prior Subordinate Bonds, respectively, in accordance with the General Resolution and the Subordinate General Resolution, respectively, by the Revenues and those funds described in the General Resolution and Subordinate General Resolution, respectively, and will be payable from the same source as this Subordinate Bond, respectively. The General Resolution provides that operation and maintenance expenses of the System are to be paid from the Revenues in the SCM Fund as such expenses become due in the ordinary course of business.

The City’s obligation to make payment of the principal of, interest on and premium, if any, on the Subordinate Bonds is only to the extent of the Revenues and amounts in the SCM Fund, the Debt Service Fund (defined in the Subordinate General Resolution), and the City has no obligation to make payments from any other sources. The general fund of the City is not liable for the payment of this Subordinate Bond, or the premium, if any, or interest thereon, and neither the full faith and credit nor the taxing power of the City is pledged for the payment of this Subordinate Bond, or the premium, if any, of the interest thereon.

The security for the Subordinate Bonds, the events that constitute Events of Default thereunder and the remedies therefor are set forth in the Subordinate General Resolution and Twenty-Seventh Supplemental Resolution, and Holders of this Subordinate Bond are referred to the Subordinate General Resolution and the Twenty-Seventh Supplemental Resolution for description of those terms.

This Subordinate Bond shall bear interest until its Maturity Date or earlier redemption (if applicable) at the rate shown on the face of this Subordinate Bond. Interest on overdue principal

and, to the extent lawful, all overdue interest will be payable at the stated interest rate on this Subordinate Bond on the day before the default occurred. Interest on this Subordinate Bond shall be calculated on the basis of a year of 360 days and twelve 30-day months. Interest will be due and payable on this Subordinate Bond on each June 1 and December 1, commencing on June 1, 2022, until maturity or earlier redemption and will be paid to the party who is the owner hereof on the Record Date for such payment. The Record Date for a June 1 payment is the close of business on the preceding May 15, and the Record Date for a December 1 payment is the close of business on the preceding November 15, whether or not such day is a Business Day.

This Subordinate Bond is subject to redemption prior to its maturity date as provided in the Twenty-Seventh Supplemental Resolution. When notice of redemption is given, the Subordinate Bonds called for redemption become due and payable on the redemption date at the applicable redemption price; in such case, when funds are held in trust for payment of the redemption price and such amounts are sufficient to pay the redemption price, interest on the Subordinate Bonds to be redeemed will cease to accrue from and after the redemption date.

Holders must surrender Subordinate Bonds to the Treasurer of the City to collect principal except that with respect to Subordinate Bonds which are Book-Entry Bonds (as defined in the Twenty-Seventh Supplemental Resolution), the Treasurer may make other arrangements for payment of principal. Interest will be paid to each party who is, as of the Record Date, the registered owner of Subordinate Bonds. If this Subordinate Bond is not a Book-Entry Bond, as defined in the Twenty-Seventh Supplemental Resolution, interest hereon will be paid by check mailed to the Holder's registered address, and, if this Subordinate Bond is a Book-Entry Bond, interest will be paid as provided in Section 3.05 of the Twenty-Seventh Supplemental Resolution. Principal, interest and premium, if any, will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts. If any payment on the Subordinate Bonds is due on a non-Business Day, it will be made on the next Business Day, and no additional interest will accrue as a result.

These Subordinate Bonds are available in denominations of \$5,000 and integral multiples of \$5,000. A Bondholder may transfer or exchange Subordinate Bonds in accordance with the Subordinate General Resolution and the Twenty-Seventh Supplemental Resolution. The City may require a Bondholder, among other things, to furnish appropriate endorsements and transfer documents and to pay any required taxes and fees associated therewith. The City need not transfer or exchange any of these Subordinate Bonds for the period beginning 15 days before mailing a notice of redemption of such Subordinate Bonds and ending on the date the notice of redemption is mailed nor transfer or exchange any of these Subordinate Bonds which has been selected for redemption.

The registered owner of this Subordinate Bond shall be treated as the owner of it for all purposes.

If the City at any time irrevocably sets aside money or Government Obligations as described in the Subordinate General Resolution sufficient, together with the earnings thereon, to pay at redemption or maturity, the principal of, premium, if any, and interest on the outstanding Subordinate Bonds, and if the City also pays all other sums then payable by the City under the Subordinate General Resolution, the Subordinate General Resolution will be discharged. After

discharge, Bondholders must look only to the money and securities set aside for payment. If the City at any time irrevocably sets aside money or Government Obligations as described in the Subordinate General Resolution sufficient to pay at redemption or maturity principal of, premium, if any, and interest on all or any portion of these outstanding Subordinate Bonds, such Subordinate Bonds, with respect to which the money or securities were set aside, shall no longer be deemed to be outstanding and shall no longer be secured by the Subordinate General Resolution except to the extent of the moneys and securities set aside therefor.

The Subordinate General Resolution, the Twenty-Seventh Supplemental Resolution and these Subordinate Bonds may be amended or supplemented, and any past default or compliance with any provision may be waived, as provided in the Subordinate General Resolution. Any consent given by the owner of this Subordinate Bond to any such action shall be irrevocable and shall bind any subsequent owner of this Subordinate Bond or any Subordinate Bond delivered in substitution for this Subordinate Bond.

By purchase of this Subordinate Bond, the owner hereby consents to the provisions of the proposed form of the Amended and Restated Subordinate General Resolution, including the amendments to the First Supplemental Subordinate Resolution, attached to the Twenty-Seventh Supplemental Resolution as Exhibit B.

The Subordinate General Resolution provides that the occurrences of certain events constitute Events of Default. If an Event of Default occurs and is continuing, the Principal of this Subordinate Bond may be declared to be due and payable immediately on the terms set forth in the Subordinate General Resolution. Any such acceleration may be waived as provided in the Subordinate General Resolution. Bondholders may not enforce the Subordinate General Resolution or the Subordinate Bonds except as provided in the Subordinate General Resolution, and, if credit enhancement has been provided for all or a portion of the Subordinate Bonds issued under the Subordinate General Resolution, the provider or providers of such credit enhancement may be able to direct the exercise of remedies.

This Subordinate Bond shall not be valid until the City Clerk, as Authenticating Agent, signs the certificate of authentication on the last page of this Subordinate Bond.

Customary abbreviations may be used in the name of a Bondholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and UGMA (= Uniform Gifts to Minors Act).

Dated:

CITY CLERK, as duly Authorized
AUTHENTICATING AGENT FOR THE
CITY OF LOS ANGELES, certifies that
this is one of the Subordinate Bonds
referred to in the Subordinate General
Resolution and Twenty-Seventh
Supplemental Resolution referred to herein.

CITY OF LOS ANGELES

By: _____
[Mayor or City Administrative Officer]

By: _____

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Please print or type, write Name and Address, including Zip Code,
and Federal Taxpayer Identification or Social Security Number of Assignee)

this Subordinate Bond and all rights hereunder, and hereby irrevocably constitutes and appoints

Agent to transfer this Subordinate Bond on the books of the City, with full power of substitution
in the premises.

Dated: _____, 20__

Signed by:

NOTICE: The signature to this assignment must
correspond with the name as it appears on the face of
this Subordinate Bond in every particular, without
alteration or enlargement or any change whatsoever.

Signature Guaranteed by:

NOTICE: Signature must be guaranteed by a
member firm of the New York Stock exchange or a
commercial bank or trust company.

EXHIBIT B

FORM OF THE AMENDED AND RESTATED SUBORDINATE GENERAL RESOLUTION

THE CITY COUNCIL OF THE CITY OF LOS ANGELES

**AMENDED AND RESTATED
WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS
GENERAL RESOLUTION**

**Adopted by
the City Council**

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**THE CITY COUNCIL OF THE CITY OF LOS ANGELES
AMENDED AND RESTATED
WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS
GENERAL RESOLUTION**

WHEREAS, the City of Los Angeles (the “City”) is a municipal corporation and a political subdivision of the State of California (the “State”) and is a charter city having availed itself of the home rule provisions of the California Constitution and is organized and operates under the terms of the Charter of the City of Los Angeles as from time to time amended (the “Charter”) and under such Charter has the power and authority to issue bonds and incur other indebtedness and obligations; and

WHEREAS, the City owns and operates the System (as defined herein); and

WHEREAS, it is necessary from time to time to provide financing for the acquisition, construction, improvement and extension of the System and for other needs related to the System; and

WHEREAS, the City Council on November 10, 1987, adopted its Wastewater System Revenue Bonds General Resolution (as amended, modified and supplemented from time to time, the “Senior Lien Resolution”) and therein pledged, as security and a source of payment for all Bonds (as defined in the Senior Lien Resolution), the Revenues and all moneys and securities held in the Reserve Fund, Debt Service Fund and Construction Funds under the Senior Lien Resolution; and

WHEREAS, the City Council on March 26, 1991, adopted its Wastewater System Subordinate Revenue Bonds General Resolution (as amended, modified and supplemented to date, the “Original Subordinate Lien Resolution”), to implement a commercial paper program to provide an alternative form of financing for costs of the System and to encumber the Revenues on a subordinate basis to secure obligations issued as part of the commercial paper program and to provide for other subordinate obligations to be incurred from time to time on a parity with the commercial paper notes; and

WHEREAS, the City Council desires to amend and restate the Original Subordinate Lien Resolution; and

WHEREAS, the City Council desires to also make an amendment to the First Supplemental Subordinate Resolution (as defined herein); and

WHEREAS, the conditions precedent set forth in the Original Subordinate Lien Resolution to the effectiveness of the amendments and restatement contained herein have been satisfied;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Los Angeles, as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.01 Definitions. The terms defined in this Article I shall, for all purposes of this Subordinate General Resolution and all Supplemental Resolutions into which such definitions may be incorporated, have the meanings specified unless the context clearly requires otherwise.

“Annual Debt Service” shall mean, with respect to any Covered Obligations and for any Fiscal Year, the aggregate amount of Debt Service on such Covered Obligations becoming due and payable during such Fiscal Year (or assumed to be due and payable under the definition of “Debt Service”).

“Authenticating Agent” shall mean a person or entity, other than the Treasurer, which person or entity is authorized to authenticate Subordinate Bonds of any Series in place of or in addition to the Treasurer.

“Authorized City Representative” shall mean the Mayor, the City Administrative Officer, or the Treasurer of the City, or such other officer or employee of the City or other person who has been designated as such representative by resolution of the Council.

“Average Annual Debt Service” shall mean as of any date of calculation, the quotient obtained by dividing (1) the sum of the Annual Debt Service on all Covered Obligations for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made and terminating in the last Fiscal Year in which any Debt Service on any Covered Obligations is due, by (2) the number of such Fiscal Years.

“Authorized Denomination” shall mean, with respect to any Series of Subordinate Bonds, any denomination authorized by the Supplemental Resolution under which Subordinate Bonds of such Series are issued.

“Bond Counsel” shall mean a firm of attorneys which is nationally recognized as experts in the area of municipal finance.

“Bondholder,” “Holder,” “Owner” or “Registered Owner” shall mean at any given time the person in whose name a Subordinate Bond or Subordinate Bonds of any Series are at such time registered on the books maintained by the City or its Registrar.

“Build America Bonds” shall mean any bonds or other obligations issued as Build America Bonds under Section 54AA of the Code, or under any other provisions of the Code, that creates, in the determination of the City, a substantially similar direct-pay subsidy program that provides comparable security for the Owners thereof.

“Business Day” shall mean (i) with respect to the Series 2022 Subordinate Bonds and any Series of Subordinate Bonds issued after the Series 2022 Subordinate Bonds, any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of California or the City or is a day on which banking institutions in the State of California or the City are authorized or required by law or other governmental action to close, and (ii) with respect to

Subordinate Bonds of any Series issued before the date of issuance of the Series 2022 Subordinate Bonds, any day on which banks located in New York, New York and in Los Angeles, California are open; provided that, with respect to both (i) and (ii) above, such term may have a different meaning for any specified Series of Subordinate Bonds if so provided by Supplemental Resolution.

“Capitalized Interest” shall mean the amount of interest, if any, on a Series of Subordinate Bonds which is paid from proceeds of the Subordinate Bonds.

“Charter” shall mean the Charter of the City of Los Angeles as from time to time amended under which the City is organized and operates.

“City” shall mean the City of Los Angeles, California.

“City Administrative Officer” shall mean the City Administrative Officer of the City or any Assistant City Administrative Officer.

“City Attorney” shall mean the Office of the City Attorney of the City including the City Attorney, any Assistant City Attorney and any Deputy City Attorney or any other legal counsel designated by the City.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Commercial Paper Program” shall mean an aggregate principal amount of short-term obligations of the City payable from the Revenues and authorized by the Council to be incurred through the issuance and refinancing, from time to time, of notes of the City with maturities of not to exceed 270 days. The maximum aggregate principal amount of such notes which may be Outstanding at any time is limited by the Council. The term “Commercial Paper Program” shall also include the City’s agreement with and obligations to any and all banks or other credit enhancers or liquidity providers entered into in connection with the program, including Credit Agreements and Bank Notes (as such terms are defined in the First Supplemental Subordinate Resolution).

“Construction Fund” shall mean any of the Construction Funds created as described in Section 5.06 hereof and, where specifically stated as such, the Construction Funds as defined in the Senior Lien Resolution.

“Consultant” shall mean the consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the City to perform acts and carry out the duties provided for such Consultant in this Subordinate General Resolution.

“Covered Obligations” shall mean, collectively, the Senior Lien Bonds and the Subordinate Bonds.

“Council” shall mean the City Council of the City of Los Angeles.

“Debt Service” shall mean, as of any date of determination and with respect to any Fiscal Year, the sum of (1) the interest scheduled to be due on any Covered Obligations during such Fiscal Year, (2) the principal or scheduled mandatory redemption payments required to be paid

with respect to such Covered Obligations during such Fiscal Year, and (3) any other regularly scheduled payments of Covered Obligations during such Fiscal Year to the extent not included in clauses (1) and (2) of this definition, all of which are to be computed on the assumption that no portion of such Covered Obligations shall cease to be Outstanding during such Fiscal Year except by reason of the application of such scheduled payments; provided, however, that for purposes of such calculation:

(i) if any of the Outstanding Series of Covered Obligations constitutes Tender Indebtedness or if Subordinate Bonds then proposed to be issued would constitute Tender Indebtedness, then, for purposes of determining Debt Service, Tender Indebtedness shall be treated as if the principal amount of such Covered Obligations were to be amortized in substantially equal annual installments of principal and interest over a term of 30 years commencing in the year in which such Series is first subject to tender; the interest rate used for such computation shall be the rate quoted in The Bond Buyer Revenue Bond Index for the last week of the month preceding the date of calculation, as published in The Bond Buyer, or if that index is no longer published another similar index selected by the City, or if the City fails to select a replacement index, an interest rate equal to 80% of the yield as of the date of calculation for United States Treasury bonds maturing at least 25 years after the date of such calculation, or if there are no such Treasury bonds having such maturities, 100% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States ranked by assets; with respect to all principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender, such payments shall be treated as described in the initial paragraph of this definition of “Debt Service” unless the interest during that period is subject to fluctuation, in which case, the interest becoming due prior to such first tender date shall be determined as provided in (ii) below;

(ii) if any of the Outstanding Series of Covered Obligations constitutes Variable Rate Indebtedness or if Subordinate Bonds proposed to be issued would constitute Variable Rate Indebtedness (except to the extent subsection (i) relating to Tender Indebtedness or subsection (iii) relating to a Commercial Paper Program apply), then, such Series of Covered Obligations shall be assumed to bear interest at the rate quoted in The Bond Buyer Revenue Bond Index for the last week of the month preceding the date of calculation as published in The Bond Buyer, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the then Outstanding Subordinate Bonds or Senior Lien Bonds for which the interest rate is to be assumed or having an equivalent maturity as the additional Subordinate Bonds proposed to be issued, or if there are no such Treasury bonds having equivalent maturities, 100% of the lowest prevailing prime rate or any of the five largest commercial banks in the United states ranked by assets;

(iii) if any of the Outstanding Series of Covered Obligations are, or Subordinate Bonds proposed to be issued will be, part of a Commercial Paper Program, then the maximum aggregate principal amount established by the Council with respect to such Commercial Paper Program (without regard to the principal amount of such Covered Obligations that have been issued at such time) shall be deemed to be fully Outstanding on

the date of calculation and such maximum aggregate principal amount shall be treated for purposes of this definition of “Debt Service” as if it were to be amortized in substantially equal annual installments of principal and interest over a term of 30 years commencing in the year in which the date of calculation falls; and the interest rate used for such computation shall be the rate quoted in The Bond Buyer Revenue Bond Index for the last week of the month preceding the date of calculation, as published in The Bond Buyer, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, an interest rate equal to 80% of the yield as of the date of calculation for United States Treasury bonds maturing at least 25 years after the date of such calculation, or if there are no such Treasury bonds having such maturities, 100% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States ranked by assets; and, provided, further, that no other amounts with respect to the Commercial Paper Program (including any of the City’s agreement with and obligations to any and all banks or other credit enhancers or liquidity providers entered into in connection with the Commercial Paper Program, including Credit Agreements and Bank Notes (as such terms are defined in the First Supplemental Subordinate Resolution) shall be included in the calculation of “Debt Service”;

(iv) if moneys or Permitted Investments have been deposited by the City into a separate fund or account or are otherwise held by the City or by a fiduciary to be used to pay principal and/or interest on specified Covered Obligations, then the principal and/or interest to be paid from such moneys or Permitted Investments or from the earnings thereon shall be disregarded and not included in calculating Debt Service; and

(v) for the purpose of calculating Debt Service, in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Senior Lien Bonds or Subordinate Bonds that were issued as Direct Subsidy Bonds, such amount shall be reduced by an amount equal to the Refundable Credits the City is scheduled to receive during each such twelve-month period ending June 30 (and to avoid double counting, an equivalent amount shall be deducted from Revenues for the purpose of such calculation).

Notwithstanding any other subsection of this definition of Debt Service, no amounts payable (including any settlement amounts or termination payments) under any interest rate swap agreement constituting a Covered Obligation shall be included in the calculation of Debt Service. Except as otherwise provided in this definition of Debt Service, to the extent that any calculation under this definition requires an index, interest rate or other amount to make such calculation, and such index, interest rate or other amount is not published, is not available or is not capable of being included in such calculation, then the City shall use such other index, interest rate, or other amount in its reasonable discretion in order to complete such calculation and that calculation shall be binding on City, the Owners of all Subordinate Bonds, the Paying Agent and all other affected parties, absent manifest error.

“Debt Service Fund” shall mean any of the Debt Service Funds as described in Section 5.04 hereof and, where specifically stated as such, the Debt Service Fund as defined in the Senior Lien Resolution.

“Direct Subsidy Bonds” shall mean Build America Bonds and Recovery Zone Economic Development Bonds.

“Electronic Means” shall mean facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

“Event of Default” shall mean any occurrence or event specified in Section 9.01 hereof.

“Expenses” shall mean the total operating expenses of the System as determined in accordance with generally accepted accounting principles except, to the extent such items are included in such operating expenses, depreciation, interest on Outstanding Covered Obligations and amortization of financing expenses.

“First Supplemental Subordinate Resolution” shall mean the Amended and Restated First Supplemental Resolution Supplementing and Amending the Subordinate General Resolution and certain Supplemental Resolutions thereto, adopted by the City Council October 12, 2021, as amended and supplemented from time to time.

“Fiscal Year” shall mean the period of time beginning on July 1 of any given year and ending on June 30 of the immediately subsequent year, or such other annual period as the City designates as its fiscal year.

“Fitch” shall mean Fitch Ratings Inc., its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized rating agency designated by the City.

“Government Obligations” shall mean (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States and (ii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (i).

“Insurer” shall mean any municipal bond insurance company, bank or other financial institution or organization providing credit enhancement for any one or more Series of Subordinate Bonds or a portion of a Series of Subordinate Bonds whether such credit enhancement is in the form of an insurance policy, surety bond, letter of credit, line of credit, revolving credit agreement or other form of financial guaranty or commitment instrument.

“Mail” shall mean either by first-class United States mail, postage prepaid or Electronic Means.

“Moody’s” shall mean Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized rating agency designated by the City.

“Municipal Code” shall mean the Municipal Code of the City of Los Angeles.

“Net Revenues” shall mean, for any given period, the Revenues for such period less the Expenses for such period, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets.

“Outstanding” when used with respect to Subordinate Bonds or Senior Lien Bonds shall mean Subordinate Bonds which have been authenticated and delivered under this Subordinate General Resolution or Senior Lien Bonds which have been authenticated and delivered under the Senior Lien Resolution except:

(i) Subordinate Bonds or Senior Lien Bonds cancelled or purchased by the City for cancellation or delivered to or acquired by the City for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(ii) Subordinate Bonds or portions of Subordinate Bonds which have been paid or are deemed to be paid in accordance with Article VIII and Senior Lien Bonds or portions of Senior Lien Bonds which have been paid or are deemed to be paid in accordance with the terms of the Senior Lien Resolution;

(iii) Subordinate Bonds in lieu of which other Subordinate Bonds have been authenticated under Section 3.05;

(iv) Subordinate Bonds or Senior Lien Bonds or portions of Subordinate Bonds or Senior Lien Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the City or an agent of the City separate and apart for such purpose;

(v) Subordinate Bonds which, under the terms of the Supplemental Resolution pursuant to which they were issued, are deemed to be no longer Outstanding; and

(vi) for purposes of any consent or other action to be taken by the holders of a specified percentage of Subordinate Bonds under this Subordinate General Resolution, Subordinate Bonds held by or for the account of City, unless such Subordinate Bonds are pledged to secure a debt to an unrelated party, in which case such Subordinate Bond shall, for purposes of consents and other Bondholder action, be deemed to be Outstanding and owned by the party to which such Subordinate Bonds are pledged.

“Paying Agent” or “Paying Agents” shall mean the City Treasurer or any other bank, trust company or other financial institution appointed by the City.

“Permitted Investments” shall mean (i) Government Obligations, (ii) obligations of any state or territory of the United States or any agency or political subdivision thereof rated by S&P, if the Series of Subordinate Bonds which such Permitted Investments secure is then rated by S&P, and by Moody’s, if such Series is then rated by Moody’s, at least as high as such Series of Subordinate Bonds, (iii) obligations of any state or territory of the United States or any agency or political subdivision thereof for the payment of the principal or redemption price of and interest on which there shall have been deposited Government Obligations maturing as to principal and interest at times and in amounts sufficient to provide such payment, (iv) time certificates of deposit

issued by a state or nationally chartered bank or trust company or a state or federal savings and loan association, provided that such certificates of deposit shall be (1) continuously and fully insured by the Federal Deposit Insurance Corporation or (2) continuously and fully secured by Government Obligations, which securities shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificate of deposit, (v) bankers' acceptances which are issued by a bank or trust company rated "A" or higher by Moody's and S&P; provided that such bankers' acceptances may not exceed 270 days' maturity, (vi) repurchase agreements with any bank or trust company or government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by Government Obligations, provided that the underlying securities are required by the repurchase agreement to be held by any such bank, trust company or primary dealer having a combined capital and surplus of at least \$100,000,000 and being independent of the issuer of such repurchase agreement, and provided that the securities are continuously maintained at a market value of not less than the amount so invested, (vii) commercial paper of "prime" quality of the highest or of the highest letter and numerical rating as provided by Moody's and S&P, (viii) investment agreements with (1) any bank or trust company or government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, having a combined capital and surplus of at least \$100,000,000, or (2) any corporation that is organized and operating within the United States and that has total assets in excess of \$500,000,000 and that has an "A" or higher rating for its debt, other than commercial paper, as provided by Moody's and S&P, provided that such investment agreements shall be continuously and fully secured by Government Obligations, which securities shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount so invested, (ix) government money market portfolios or money market funds restricted to obligations issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, which portfolios, unless held by the Treasurer for five business days or less, shall have a rating in the highest two categories provided by Moody's and S&P, (x) any investment permitted by the investment policy of the City, and (xi) with respect to funds held in funds and accounts required under the terms of a specific Supplemental Resolution or securing specific Subordinate Bonds or Subordinate Bonds of a Specific Series of Subordinate Bonds, such other securities or investment vehicles as are specified as Permitted Investments under the terms of the Supplemental Resolution creating such funds and accounts or setting forth the terms of such Series.

"Procedural Ordinance" shall mean Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City.

"Project" shall mean any purpose for which a Series of Subordinate Bonds is issued or authorized under the terms of this Subordinate General Resolution.

"Project Costs" shall mean, with respect to the System, all or any part of the cost of construction, acquisition, alteration, reconstruction, remodeling, maintaining and operating, including, without limiting the generality of the foregoing, all labor, materials, machinery, equipment, lands, structures, real and personal property, rights, rights of way, water rights, air rights, franchises, easements and interests acquired or used by the City in connection with the work undertaken; the cost of any demolitions, removals or relocations necessary in connection therewith; financing charges, insurance expenses, Capitalized Interest, if any, reserves for debt service and reserves for capital and current expenses; the cost of architectural, engineering,

financial and legal services, plans, specifications, appraisals, surveys, inspections, estimates of costs and revenues, and other expenses necessary or incident to determining the feasibility or practicality of such undertaking; organizational, professional, administrative, operating and other expenses incurred prior to the commencement of and during such work; costs of the City properly allocated to a Project and with respect to costs of employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable cost of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; costs of equipment, supplies and training of operating personnel and other expense of completing such work and placing the same in operation; working capital, and such other expenses as may be necessary or incidental to a Project, the financing thereof, including, but not limited to, costs and expenses of consultants and advisors including insurance consultants, accountants, engineers and attorneys, printing costs, rating agency fees and expenses, insurance costs and related election expenses and expenses necessary or incidental to placing a Project in operation and all other costs, expenses and charges related directly or indirectly to the System for which the City is otherwise permitted to incur an obligation, including the financing of working capital, whether or not the Project then under consideration involves the acquisition or construction of physical properties.

“Rebate Fund” shall mean any fund created by the City in connection with the issuance of the Subordinate Bonds or any Series of Subordinate Bonds for the purpose of complying with the Code and providing for the collection, holding and payment of amounts to the United States of America.

“Recovery Zone Economic Development Bonds” shall mean any bonds or other obligations issued as Recovery Zone Economic Development Bonds under Section 1400U-2 of the Code, or under any other provisions of the Code, that creates, in the determination of the City, a substantially similar direct-pay subsidy program that provides comparable security for the Owners thereof.

“Refundable Credits” shall mean (a) with respect to a Series of Senior Lien Bonds or Subordinate Bonds issued as Build America Bonds under Section 54AA of the Code or a Series of Senior Lien Bonds or Subordinate Bonds issued as Recovery Zone Economic Development Bonds under Section 1400U02 of the Code, in either case the amounts which are payable by the Federal government under Section 6431 of the Code, and which, in the case of Build America Bonds, the City has elected to receive under Section 54AA(g)(1) of the Code, or (b) with respect to a Series of Senior Lien Bonds or Subordinate Bonds issued as Build America Bonds or as Recovery Zone Economic Development Bonds, as the case may be, under any other provisions of the Code, that creates, in the determination of the City, a substantially similar direct-pay subsidy program, the amounts of which are payable by the Federal government under applicable provisions of the Code, which, in the case of Build America Bonds, the City has elected to receive under applicable provisions of the Code.

“Registrar” shall mean, with respect to the Subordinate Bonds of any Series, the bank, trust company or other entity, if any, designated to perform the function of Registrar under this Subordinate General Resolution or any Supplemental Resolution instead of or in addition to the City Treasurer’s office.

“Reserve Fund” shall mean any Debt Service Reserve Fund created for a Series of Subordinate Bonds as described in Section 5.05 hereof and where specifically stated as such, the Reserve Fund as defined in the Senior Lien Resolution.

“Revenue Bond Law” shall mean the Revenue Bond Law of 1941, §§54300 et seq. of the California Government Code.

“Revenues” shall mean all revenues of the SCM Fund and revenues otherwise attributable to the System, including, but not limited to, those revenues currently arising as a result of the imposition of sewer service charges, industrial waste surcharge and inspection fees, sewage disposal contract charges, sewerage facility charges and bonded sewer fees and all other income and receipts derived by the City from the ownership or operation of the System or arising from the System and including amounts attributable to extensions, additions and improvements to the System and all other amounts received by the City in payment for providing wastewater collection, treatment and/or disposal services; and all earnings received from the investment of the SCM Fund and the Debt Service Fund (as defined in the Senior Lien Resolution); and all earnings received on the Debt Service Funds created for Subordinate Bonds of any Series, provided, however, that Revenues shall not include:

- (i) any amount received from the levy or collection of taxes;
- (ii) amounts received under contracts or agreements with governmental or private entities and designated for capital costs;
- (iii) grants received from the United States of America, from the State of California or other political bodies;
- (iv) earnings on any Construction Funds and any Reserve Funds;
- (v) earnings on any Construction Funds under the Senior Lien Resolution and any Reserve Funds under the Senior Lien Resolution;
- (vi) the proceeds of borrowings; and
- (vii) proceeds of insurance.

“SCM Fund” shall mean, collectively, the City’s Sewer Construction and Maintenance Fund, Sewer Operation and Maintenance Fund, and Sewer Capital Fund established under the terms of the City’s Municipal Code as special funds in the City Treasury into which the Revenues are to be deposited and such term also includes any other fund or series of funds into which Revenues are deposited.

“Senior Lien Bonds” shall mean bonds, notes and all other obligations issued or incurred under the terms of the Senior Lien Resolution and secured, under the terms of the Senior Lien Resolution, by a pledge of the Revenues prior to that pledge securing Subordinate Bonds issued under this Subordinate General Resolution.

“Senior Lien Resolution” shall mean the Wastewater System Revenue Bonds General Resolution adopted by the City Council November 10, 1987, as amended and supplemented from time to time.

“Series” when used with respect to Subordinate Bonds, shall mean Subordinate Bonds issued at the same time or sharing some other common term or characteristic and designated as a separate Series, and shall also mean a Commercial Paper Program authorized by the Council notwithstanding the fact that the Subordinate Bonds constituting part of such program are issued at different times and from time to time; and, when used with respect to Senior Lien Bonds, shall have the meaning assigned to such term in the Senior Lien Resolution.

“Series 2022 Subordinate Bond” shall mean the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022 [of each Series, issued on _____, 2022].

“S&P” shall mean Standard & Poor’s Corporation, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

“State” shall mean the State of California.

“Subordinate Bond” or “Subordinate Bonds” shall mean bonds, notes and other indebtedness, obligations or securities of any kind or class issued or incurred as provided in Article III of this Subordinate General Resolution and secured by this Subordinate General Resolution and by the subordinate pledge of the Revenues granted hereby. The term “Subordinate Bonds” includes, but is not limited to, obligations in the form of bonds, notes, bond anticipation notes, commercial paper, and certificates of participation. “Subordinate Bond” or “Subordinate Bonds” shall not include any obligations incurred by the City as permitted by Section 5.06 which rank junior to the Subordinate Bonds issued pursuant to and secured by this Subordinate General Resolution.

“Subordinate General Resolution” shall mean this “Amended and Restated Wastewater System Subordinate Revenue Bonds General Resolution” adopted by the Council on _____, as amended from time to time.

“Supplemental Resolution” shall mean any supplemental resolution adopted by the Council providing for the issuance of a Series or multiple Series of Subordinate Bonds, amending and/or supplementing this Subordinate General Resolution or amending and/or supplementing another Supplemental Resolution.

“System” shall mean the City’s entire wastewater collection, transportation, drainage, treatment and disposal system, including all sewers, pipes, buildings, systems, plants, works, equipment, improvements and other facilities or undertakings of the City relating to the collection, transportation, treatment and disposal of sewage, wastewater, industrial wastewater and infiltration/inflows incidental thereto, including those facilities in existence at the time of adoption of this Subordinate General Resolution and any and all subsequent additions, extensions, improvements, acquisitions and replacements thereto and all facilities and undertakings relating to or useful in connection with the construction, improvement, replacement, expansion, extension,

operation and maintenance of the System. The term System more specifically includes, but is not limited to, sewage and wastewater treatment and disposal plants, sewage pumping plants, water reclamation plants, sewer maintenance yards and headquarters, intercepting and collecting sewers, outfall sewers, trunk, connecting, relief and other sewer mains and additions to, alterations of and reconstruction of, any of them and the lands, rights of way, pipe, conduits, equipment, machinery, apparatus, and property necessary therefor.

“Tender Indebtedness” shall mean any Covered Obligations or portions of Covered Obligations a feature of which is an option, on the part of the Bondholders, or an obligation, under the terms of such Covered Obligations, to tender all or a portion of such Covered Obligations to the City, a Paying Agent or other fiduciary or agent for payment or purchase and requiring that such Covered Obligations or portions of Covered Obligations be purchased if properly presented.

“Treasurer” shall mean the Treasurer of the City or any deputy treasurer.

“Variable Rate Indebtedness” shall mean any portion of indebtedness the interest rate on which is subject to fluctuation or subsequent adjustment.

Section 1.02 Cross References. Except as otherwise indicated, references to Articles and Sections are to the Articles and Sections of this Subordinate General Resolution.

Section 1.03 Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words importing the singular number shall include the plural and vice versa, and words importing person shall include firms, associations and corporations, including public bodies, as well as natural persons.

Section 1.04 Accounting Terms. Terms used in this Subordinate General Resolution in an accounting context and not otherwise defined shall have the meaning ascribed to them by generally accepted accounting principles.

Section 1.05 Interpretation of “Principal Amount” Under this Subordinate General Resolution. Whenever in the Subordinate General Resolution it is provided that any actions be taken or determinations made on the basis of the principal amount of Subordinate Bonds Outstanding or the principal amount of Subordinate Bonds affected by an action, including the calculation of the principal amount of Subordinate Bonds for purposes of declaring principal of Subordinate Bonds due and payable pursuant to Article IX, the calculation of the principal amount of any Subordinate Bonds that accrete interest shall be determined pursuant to the terms of Supplemental Resolutions.

ARTICLE II

PLEDGE TO SECURE SUBORDINATE BONDS; SOURCE OF PAYMENT

Section 2.01 Pledge of Revenues and Funds. To secure the payment of all Subordinate Bonds issued pursuant to the terms of this Subordinate General Resolution, the City hereby pledges to the Owners of the Subordinate Bonds, and places a second lien upon and assigns to the Owners

of the Subordinate Bonds (1) the Revenues as defined in this Subordinate General Resolution, including any additional sources of Revenues pledged by Supplemental Resolutions and (2) the Revenues held in the SCM Fund including the earnings on such Revenues. The City has previously pledged and assigned the Revenues and granted a lien upon the Revenues to secure Senior Lien Bonds, whenever issued, including Senior Lien Bonds issued subsequent to the execution and delivery of this Subordinate General Resolution and subsequent to the issuance of Subordinate Bonds. The pledge, assignment and lien on the Revenues granted to secure the Senior Lien Bonds shall in all respects be prior to the pledge, assignment and lien granted by this Subordinate General Resolution. The Revenues, including Revenues held in the SCM Fund and the earnings on such Revenues, shall be used first to pay the Senior Lien Bonds as the same become due and make current deposits into the funds held pursuant to the Senior Lien Resolution before such Revenues will be available to pay Subordinate Bonds. This pledge of and lien upon the Revenues shall be for the equal and proportionate benefit and security of all Subordinate Bonds issued under the terms of this Subordinate General Resolution, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction as to lien or otherwise of any Subordinate Bond over any other Subordinate Bond. The pledge and lien hereby granted shall remain effective for so long as any Subordinate Bonds are Outstanding hereunder. Amounts in any Debt Service Fund and Reserve Fund established for any Series of Subordinate Bonds shall, by the terms of the Supplemental Resolution setting forth the terms of such Series, be pledged to secure the Subordinate Bonds of such Series in accordance with the terms of such Supplemental Resolution.

Section 2.02 [Reserved.]

Section 2.03 No Prior or Parity Pledge. The City hereby represents and warrants that except for the pledge granted to secure the Senior Lien Bonds, the City has not pledged the Revenues or the SCM Fund nor created any lien thereon on a basis that ranks senior to the Subordinate Bonds, and the City covenants that, until all the Subordinate Bonds issued under the provisions of this Subordinate General Resolution and the interest thereon shall have been paid or are deemed to have been paid, it will not, except to the extent additional Senior Lien Bonds are issued under the terms of the Senior Lien Resolution grant any prior or parity pledge of Revenues or the SCM Fund, or create or permit to be created any charge or lien on the Revenues ranking prior to or on a parity with the charge and lien which secures the Subordinate Bonds issued pursuant to this Subordinate General Resolution. It is hereby expressly provided that the City shall not, by the provisions of this Section 2.03 or any other part of this Subordinate General Resolution, be restricted or limited in any way in its ability to issue additional Senior Lien Bonds, all of which shall rank prior to the Subordinate Bonds with respect to the pledge of, lien on and assignment of the Revenues. The City may, as provided in Section 5.06, create or permit to be created a charge or lien on the Revenues ranking junior and subordinate to the charge and lien which secures the Subordinate Bonds issued pursuant to this Subordinate General Resolution.

Section 2.04 Special Obligations. The Subordinate Bonds shall be and are special, limited obligations of the City and the City is obligated to pay the principal of, premium, if any, and interest on the Subordinate Bonds solely from the Revenues and from amounts in the SCM Fund and, with respect to the Subordinate Bonds of an individual Series, from any Debt Service Fund and Reserve Fund created for such Series. The general fund of the City is not liable for the payment of the principal of, interest on or premium, if any, on the Subordinate Bonds. Neither the

full faith and credit nor the taxing power of the City is pledged to payment of the Subordinate Bonds and the Owners shall not have any ability to compel the exercise of the taxing power of the City or the forfeiture of any of its property. The City's limited obligation to make payment on the Subordinate Bonds does not create a debt of the City or legal or equitable pledge, charge, lien or encumbrance, upon any of the City's property, or upon any of its income, receipts or revenues except the Revenues and, to the extent provided by Supplemental Resolution, amounts in the Debt Service Funds and Reserve Funds.

ARTICLE III

ISSUANCE OF SUBORDINATE BONDS AND TERMS THEREOF

Section 3.01 Issuance of Subordinate Bonds; Form of Subordinate Bonds. Subordinate Bonds of any Series may be issued by the City under the terms of this Subordinate General Resolution from time to time and secured hereby for any purpose related to the System that the City deems appropriate. Subordinate Bonds of any Series may be issued under this Subordinate General Resolution and secured hereby only if the provisions of Section 3.09 are satisfied.

The Subordinate Bonds of any Series may be issued in such denominations as provided by the Supplemental Resolution creating such Series, in fully registered or bearer form, with or without coupons or in fully registered book-entry form. The Subordinate Bonds of any Series may have notations, legends or endorsements required by law or usage. In addition, Subordinate Bonds of each Series may be in any of the forms, but are not limited to forms described in the definition of Subordinate Bonds in Section 1.01, and may be sold as provided in the Supplemental Resolution establishing such Series.

Section 3.02 Terms, Designation and Payment. The Subordinate Bonds of a Series shall be issued in the principal amount, shall bear interest at a rate or rates, including variable or adjustable rates, shall mature and may be subject to redemption prior to their respective maturities, all as shall be set forth by Supplemental Resolution. The Subordinate Bonds of each Series issued under the provisions of this Article shall be designated "City of Los Angeles Wastewater System Revenue [Bonds, Notes or other designation]," inserting appropriate identifying descriptions, series letter, number, year, word or words and including such other characteristics or designations as may be provided by a Supplemental Resolution. Subordinate Bonds of each Series shall contain an express statement that a Subordinate Bond of such Series is junior and subordinate to the Senior Lien Bonds as to lien on and source and security for payment from the Revenues.

Payments with respect to the Subordinate Bonds of each Series shall be made as provided in the Supplemental Resolution providing for the issuance of Subordinate Bonds of such Series or as provided in the Subordinate Bonds of such Series, which provisions shall include the designation of the currency in which such payments shall be made.

Section 3.03 Execution and Authentication. The Subordinate Bonds of any Series will be executed for the City as provided in the Supplemental Resolution. Each Subordinate Bond of any Series shall have an authentication certificate thereon which shall read substantially as follows:

The [Treasurer of the City of Los Angeles] [_____, as duly authorized Authenticating Agent] certifies that this is one of the Subordinate Bonds referred to in the Subordinate General Resolution and _____ Supplemental Resolution referred to herein.

By _____

The Subordinate Bonds of any Series shall be delivered following execution by the City to the Treasurer for authentication and delivery unless an Authenticating Agent has been appointed for such Series, in which case the Subordinate Bonds of such Series shall be delivered to the Authenticating Agent. In case any officer of the City whose signature or whose facsimile signature shall appear on Subordinate Bonds of any Series shall cease to be such officer before the authentication and delivery of Subordinate Bonds of such Series, such signature or the facsimile signature thereof shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until authentication and delivery. Also, if a person signing a Subordinate Bond of any Series is the proper officer on the actual date of execution, the Subordinate Bond of such Series will be valid even if that person is not the proper officer on the nominal date of action and even though, at the date of this Subordinate General Resolution or any Supplemental Resolution, such person was not such officer.

Subordinate Bonds of any Series will not be valid until the Treasurer or an Authenticating Agent executes the certificate of authentication on the Subordinate Bond of such Series by manual or facsimile signature. Such signature will be conclusive evidence that the Subordinate Bonds of such Series has been authenticated under this Subordinate General Resolution.

The City may appoint an Authenticating Agent to authenticate Subordinate Bonds of any Series and may appoint different Authenticating Agents for different Series of Subordinate Bonds. An Authenticating Agent may authenticate Subordinate Bonds of any Series whenever the Treasurer may do so. Each reference in this Subordinate General Resolution to authentication by the City or by the Treasurer includes authentication by such agent.

Subordinate Bonds of any Series issued under this Subordinate General Resolution may be issued in uncertificated form, in which case the procedures for issuance and delivery and evidence of validity, ownership, transfer and exchange shall be as provided in a Supplemental Resolution.

Section 3.04 Bond Register. Unless otherwise provided in a Supplemental Resolution, with respect to each Series of Subordinate Bonds issued in registered form, the office of the Treasurer or a Registrar will keep a register of the Subordinate Bonds of such Series and of their transfer and exchange. At reasonable times and under reasonable regulations established by the City or the Registrar, any of such lists of Bondholders may be inspected by any Bondholder (or a properly designated representative thereof) which owns \$1,000,000 or more in principal amount of Subordinate Bonds (or beneficial interest therein) then Outstanding. Subordinate Bonds of any Series may be presented to the Treasurer or to the Registrar as provided by Supplemental Resolution for registration, transfer and exchange, as provided in Section 3.06. The City and any Paying Agent shall treat the Bondholder, as shown on the registration books kept by the City or the Registrar, as the person exclusively entitled to payment of principal, premium, if any, and interest and the exercise of all other rights and powers of the Bondholder.

Section 3.05 Mutilated, Lost, Stolen or Destroyed Subordinate Bonds.

(a) In the event any Subordinate Bond of any Series is mutilated or defaced but identifiable by number and description, the City shall execute and the Treasurer or an Authenticating Agent shall authenticate and deliver a new Subordinate Bond of like Series, date, interest rate and maturity as and in a denomination equal to the unpaid amount of such Subordinate Bond, upon surrender thereof to the City or its agent; provided that there shall first be furnished to the City or its agent clear and unequivocal proof satisfactory to the City or its agent that the Subordinate Bond has been mutilated or defaced to such an extent as to impair its value to the Bondholder. The City or its agent shall then cause proper record to be made of the cancellation of the original, and thereafter the substitute shall have the validity of the original.

(b) In the event any Subordinate Bond of any Series is lost, stolen or destroyed, the City may execute and the Treasurer or an Authenticating Agent may authenticate and deliver a new Subordinate Bond of like Series, date and maturity as and in a denomination equal to the unpaid amount of the Subordinate Bond lost, stolen or destroyed; provided that there shall first be furnished to the City or its agent evidence of such loss, theft or destruction satisfactory to the City or its agent, together with indemnity satisfactory to them.

(c) The City and any agents may charge the Holder of any such Subordinate Bond described in (a) or (b) above the cost of preparing the substitute Subordinate Bond, all transfer taxes, if any, and the City's and/or agent's reasonable fees and expenses in this connection. All substitute Subordinate Bonds issued and authenticated pursuant to this Section shall be issued as a substitute and numbered, if numbering is required by the Supplemental Resolution or the City, as determined by the City or its agent. In the event any such Subordinate Bond shall be about to mature or has matured or been called for redemption, instead of issuing a substitute Subordinate Bond, the City may pay the same at its maturity or redemption without surrender thereof.

Section 3.06 Registration and Transfer of Subordinate Bonds; Persons Treated as Owners. All Subordinate Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form satisfactory to the Treasurer or the Registrar, as the case may be, duly executed by the Bondholder or by his duly authorized attorney.

Except as limited by any Supplemental Resolution, the City or any Registrar also may require payment from the Bondholder of a sum sufficient to cover any tax or other governmental fee or charge that may be imposed in relation to any transfer or exchange.

Supplemental Resolutions may designate certain limited periods during which Subordinate Bonds will not be exchanged or transferred.

Subordinate Bonds delivered upon any exchange or transfer as provided herein, or as provided in Section 3.05, shall be valid obligations of the City evidencing the same obligation as the Subordinate Bond surrendered, shall be secured by this Subordinate General Resolution and

shall be entitled to all of the security and benefits hereof to the same extent as the Subordinate Bond surrendered.

Section 3.07 Destruction of Subordinate Bonds. Whenever any Outstanding Subordinate Bonds shall be delivered to the City or its agent for cancellation, upon payment of the principal amount and interest represented thereby or for replacement pursuant to Section 3.06 or exchange or transfer pursuant to Section 3.06, such Subordinate Bond shall be cancelled and destroyed by the City or its agent.

Section 3.08 Temporary Subordinate Bonds. Pending preparation of definitive Subordinate Bonds of any Series, the City may execute, authenticate and deliver, in lieu of definitive Subordinate Bonds of such Series and subject to the same limitations and conditions, interim receipts, certificates or temporary bonds which shall be exchanged for the Subordinate Bonds of such Series.

If temporary Subordinate Bonds are issued, the City shall cause the definitive Subordinate Bonds to be prepared and, upon presentation to it of any temporary Subordinate Bond, shall cancel the same and deliver in exchange therefor at the place designated by the Bondholder, without charge to the Bondholder, definitive Subordinate Bonds of an equal aggregate principal amount, of the same Series and maturity and bearing interest at the same rate or rates as the temporary Subordinate Bonds surrendered. Until so exchanged, the temporary Subordinate Bonds shall in all respects be entitled to the same benefit and security of this Subordinate General Resolution as the definitive Subordinate Bonds to be issued and authenticated hereunder.

Section 3.09 Issuance of Series of Subordinate Bonds; Supplemental Resolution; Application of Bond Proceeds. The Subordinate Bonds of each Series shall be issued, at one time or from time to time, pursuant to and in accordance with the procedures set forth in the Charter, the Procedural Ordinance and subject to the conditions of this Section 3.09.

Each Series of Subordinate Bonds shall be dated, shall mature, shall bear interest, shall be subject to redemption and shall be amortized, all as provided in the Supplemental Resolution under which such Subordinate Bonds are issued. In addition, each such Supplemental Resolution may provide for the appointment of an Authenticating Agent, Registrar or Registrars and a Paying Agent or Paying Agents or an Issuing and Paying Agent and for the removal or replacement thereof.

Such Supplemental Resolution may provide that the interest rate on the Series of Subordinate Bonds and the duration of the periods during which any such interest rate applies may, from time to time, be adjusted and that the Series of Subordinate Bonds may be purchased upon the demand of the owners thereof or shall be subject to mandatory purchase upon the occurrence of certain events or at certain times. Such provisions relating to interest rate periods and adjustments may include, without limitation, the creation of objective standards for such adjustments and the appointment of agents to apply such standards, and may provide for the procurement of liquidity and credit support facilities with respect to the Subordinate Bonds.

Each of the following shall be a condition to the issuance of any Series of Subordinate Bonds under this Subordinate General Resolution:

(a) the Council shall adopt a Supplemental Resolution authorizing such Series of Subordinate Bonds and setting forth the terms of such Series of Subordinate Bonds;

(b) if credit enhancement or liquidity support is to be provided at the time of issuance of the Series, the executed bond insurance policy, surety bond, letter of credit or other liquidity facility or credit support facility, if any, relating to the Series of Subordinate Bonds shall be delivered to the City or an appropriate fiduciary;

(c) the certificate or certificates of the Consultant required by Section 3.11 or, if the Subordinate Bonds of any Series to be issued are refunding Subordinate Bonds and the last paragraph of Section 3.11 is applicable, the certificate of the Authorized City Representative described therein;

(d) a certificate of an Authorized City Representative stating that no Event of Default has occurred and is then continuing; and

(e) an opinion of Bond Counsel to the effect that the issuance of such Subordinate Bonds has been duly authorized, that all legal conditions precedent to the delivery of such Bonds have been fulfilled, that the Subordinate Bonds are valid and binding obligations of the City in accordance with their terms, and if it is the intention of the City that interest on the Subordinate Bonds of such Series is to be excluded from gross income of the recipient for federal income tax purposes, that the interest on the Subordinate Bonds will be so excluded; and an opinion of Bond Counsel to the effect that the issuance of such Subordinate Bonds will not adversely affect the tax-exempt status of any previously issued Subordinate Bonds.

With respect to Subordinate Bonds of any Series which are part of a Commercial Paper Program, fulfillment of the conditions (a) to (e), inclusive, of this Section shall be required prior to issuance of the first note of such program; thereafter, Subordinate Bonds of any Series constituting part of the same Commercial Paper Program may be issued from time to time as the City determines without again meeting the requirements of this Section so long as the maximum aggregate principal amount of such Commercial Paper Program authorized by the Council for which the conditions (a) to (e), inclusive, were previously fulfilled, is not increased. Any increase in the maximum aggregate principal amount of the Commercial Paper Program authorized by the Council shall, prior to such increase, require compliance with conditions (a) to (e), inclusive.

When the conditions mentioned in clauses (a) to (e), inclusive, of this Section shall have been fulfilled, then upon receipt by the City of payment for the Subordinate Bonds, the Subordinate Bonds shall be delivered to or upon the order of the purchasers thereof.

Simultaneously with the delivery of Subordinate Bonds of any Series, the City shall apply the proceeds of Subordinate Bonds of such Series as provided in the Supplemental Resolution.

Section 3.10 Refunding Subordinate Bonds. There may be issued under and secured by this Subordinate General Resolution Subordinate Bonds of a Series for the purpose of providing funds for refunding all of the Outstanding Subordinate Bonds of any one or more Series or a portion of any Series. Such Subordinate Bonds of such Series shall be issued in accordance with the provisions of Sections 3.09 and 3.11 of this Subordinate General Resolution.

Section 3.11 Tests for Issuance of Subordinate Bonds. As a condition to the issuance of any Series of Subordinate Bonds, the City shall first be required to obtain a certificate or certificates prepared by a Consultant or by Consultants showing that the Net Revenues for the immediately preceding Fiscal Year or for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of the proposed Series of Subordinate Bonds were at least equal to 110% of the Average Annual Debt Service for all Covered Obligations which will be Outstanding immediately after the issuance of the proposed Series of Subordinate Bonds. For purposes of preparing the certificate or certificates described above, the Consultant or Consultants may (a) rely upon financial statements prepared by the City that have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available and (b) make such other assumptions as determined reasonable or appropriate by such Consultant or Consultants.

For purposes of the computations to be made as described in the preceding paragraph, the determination of Net Revenues may take into account any increases in rates and charges which relate to the System and shall take into account any reductions in such rates and charges which increases or decreases have been authorized by the City to be implemented and which will be effective prior to or at the time of issuance of such proposed Series of Subordinate Bonds.

With respect to Subordinate Bonds of any Series which are part of a Commercial Paper Program, fulfillment of the requirement of this Section shall be required prior to issuance of the first note of such program; thereafter, Subordinate Bonds of any Series constituting part of the same Commercial Paper Program may be issued from time to time as the City determines without again meeting the requirements of this Section so long as the maximum aggregate principal amount of such Commercial Paper Program authorized by the Council for which such requirement was previously fulfilled, is not increased. Any increase in the maximum aggregate principal amount of the Commercial Paper Program authorized by the Council shall, prior to such increase, require compliance with the requirement of this Section.

Except as described in the last sentence of this paragraph, the certificate or certificates described above shall not be required if the Series of Subordinate Bonds being issued are for the purpose of refunding then Outstanding Senior Lien Bonds or Subordinate Bonds, and if at the time of the issuance of such Series of Subordinate Bonds, a certificate of an Authorized City Representative shall be delivered showing that Average Annual Debt Service on all Covered Obligations Outstanding after the issuance of the refunding Series of Subordinate Bonds will not exceed Average Annual Debt Service on all Covered Obligations Outstanding prior to the issuance of such Series of Subordinate Bonds. The City may not rely on the exception in this paragraph with respect to the issuance of a refunding Series of Subordinate Bonds which are not part of a Commercial Paper Program to refund Subordinate Bonds which are part of a Commercial Paper Program unless the maximum aggregate principal amount of the Commercial Paper Program authorized by the Council is concurrently reduced by an amount equal to that portion of Subordinate Bonds constituting part of such Commercial Paper Program being refunded.

ARTICLE IV

REDEMPTION OF SUBORDINATE BONDS

Section 4.01 Subordinate Bonds Redeemable. The Subordinate Bonds of each Series may be made subject to redemption either in whole or in part and at such times, prices and in such order and under such terms as may be provided by the Supplemental Resolution providing for the issuance of such Subordinate Bonds. The City may provide for the redemption of Subordinate Bonds of any Series from any funds available to the City and not obligated for other purposes.

Section 4.02 Selection of Subordinate Bonds to Be Redeemed. If less than all the Subordinate Bonds of any Series shall be called for redemption, the Subordinate Bonds to be redeemed shall be selected from such Series of Subordinate Bonds as provided in the Supplemental Resolution under which Subordinate Bonds of such Series were issued.

Section 4.03 Notice of Redemption. In the event Subordinate Bonds of any Series are called for redemption, the City, or through its agent, shall give notice, at the times and in the manner specified by Supplemental Resolution, to the Bondholders of the Subordinate Bonds of a Series to be redeemed, of the redemption of Subordinate Bonds of such Series, which notice shall (i) specify the Subordinate Bonds of a Series to be redeemed, the redemption date, the redemption price and the place or places where amounts due upon such redemption will be payable and, if less than all of the Subordinate Bonds of a Series are to be redeemed, the numbers of the Subordinate Bonds, and the portions of Subordinate Bonds, to be redeemed, (ii) state any condition to such redemption and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Subordinate Bonds of such Series to be redeemed shall cease to bear interest. Such notice may set forth any additional information relating to such redemption. Notice may provide for purchase in lieu of redemption or conditional redemption as provided by a Supplemental Resolution. Notwithstanding the foregoing, Supplemental Resolutions may provide for redemption of Subordinate Bonds of a Series, under certain circumstances, without notice or with notice which differs from that set forth in this section.

Section 4.04 Effect of Redemption Call. On the date so designated for redemption, notice, if required, having been given in the manner and under the conditions provided herein and in the Supplemental Resolution relating to the Subordinate Bonds of a Series to be redeemed and moneys for payment of the redemption price being held in trust to pay the redemption price, unless otherwise provided in a Supplemental Resolution, the Subordinate Bonds of such Series so called for redemption shall become and be due and payable on the redemption date, interest on such Subordinate Bonds shall cease to accrue, such Subordinate Bonds of such Series shall cease to be entitled to any lien, benefit or security under this Subordinate General Resolution and the owners of such Subordinate Bonds of such Series shall have no rights in respect thereof except to receive payment of the redemption price.

Subordinate Bonds of any Series which have been duly called for redemption under the provisions of this Article IV and for the payment of the redemption price of which moneys shall be held in trust or irrevocably set aside for the Holders of the Subordinate Bonds of such Series to be redeemed, all as provided in this Subordinate General Resolution, shall not be deemed to be Outstanding under the provisions of this Subordinate General Resolution.

ARTICLE V

REVENUES AND FUNDS

Section 5.01 Subordinate Bonds Secured by Revenues. The Subordinate Bonds of any Series authorized and issued under the provisions of this Subordinate General Resolution are, as provided in Article II, secured by a subordinate lien on and pledge of the Revenues. The Revenues shall be deposited and used as provided in Article V of the Senior Lien Resolution and in this Article V.

Section 5.02 The SCM Fund; Creation of Funds. The City has heretofore created and currently maintains the Sewer Construction and Maintenance Fund, the Sewer Operation and Maintenance Fund and the Sewer Capital Fund (such funds and any other fund or funds into which the Revenues are deposited, the “SCM Fund”) and the City agrees that so long as any Subordinate Bonds remain Outstanding it will continue to maintain such funds or another special fund or special funds into which all Revenues will be deposited and any and all of such funds into which Revenues are deposited by the City shall be maintained and the amounts therein held and used as provided in the Senior Lien Resolution, so long as such resolution remains in effect, and as provided herein with respect to the SCM Fund and the Revenues therein shall be subject to the subordinate pledge set forth herein to secure the Subordinate Bonds.

The City agrees that it will deposit all Revenues (except the earnings on the Debt Service Fund (as defined in the Senior Lien Resolution) created and held under the Senior Lien Resolution and any Reserve Fund (as defined in the Senior Lien Resolution) created and held under the Senior Lien Resolution for which special provision is made in the Senior Lien Resolution and except for earnings on funds created and held under Supplemental Resolutions for which special provision may be made) as collected, into the SCM Fund. All Revenues in the SCM Fund shall be held by the City in trust and applied as provided in the Senior Lien Resolution and as provided in this Article V, and, pending such application, such amounts shall be subject to a lien and charge in favor of the Holders of the Subordinate Bonds issued and Outstanding under this Subordinate General Resolution as provided in Article II of this Subordinate General Resolution.

With respect to any of the funds required to be established hereunder or under a Supplemental Resolution, the City may, to accommodate its internal accounting and management systems, create one or more funds, all of which collectively constitute the fund described herein, all of which collectively shall be subject to the lien created hereby upon such fund and all of which collectively shall serve the purposes described herein for such fund.

Section 5.03 The SCM Fund. All Revenues (except the earnings on the Debt Service Fund (as defined in the Senior Lien Resolution) created and held under the Senior Lien Resolution and any Reserve Fund (as defined in the Senior Lien Resolution) created and held under the Senior Lien Resolution for which special provision is made in the Senior Lien Resolution and except for earnings on funds created and held under Supplemental Resolutions for which special provisions may be made) shall be deposited as soon as practicable into the SCM Fund either directly or, with respect to those amounts which are collected by a collection agent, upon transfer to the SCM Fund. Revenues which have been received by a collection agent but not yet deposited into the SCM Fund, shall nevertheless be subject to the restrictions of this Section 5.03 as if they were then on deposit

in the SCM Fund. Revenues in the SCM Fund shall be used on an ongoing basis to pay or provide for the expenses of the operation and maintenance of the System including, without limitation, refunds and the expenses of management, repair and other expenses necessary to maintain and preserve the System in good repair and working order when such amounts become due. So long as the requirements set forth below are met, the City may, at any time, as provided by Supplemental Resolution, withdraw amounts from the SCM Fund to make deposits to the Debt Service Funds and Reserve Funds created under Supplemental Resolutions or otherwise to make payments or provide for payments on Subordinate Bonds. The foregoing provisions are, however, restricted to the extent that no amount shall be withdrawn from the SCM Fund to make deposits to funds created under Supplemental Resolutions or otherwise make payments or provide for payments on Subordinate Bonds unless:

- (a) all operation and maintenance expenses are being or have been paid as they become due;
- (b) the monthly deposits to be made into the Debt Service Fund and any Reserve Fund (each such fund as defined in and held under the Senior Lien Resolution) for all prior months have been made in full and no deficiency exist with respect to the Debt Service Fund or any Reserve Fund under the Senior Lien Resolution; and
- (c) the amounts which are or will be required to be deposited into the Debt Service Fund and any Reserve Fund (each such as defined in the Senior Lien Resolution and held under the Senior Lien Resolution) during the then-current calendar month have been deposited into such funds or such amounts are segregated within the SCM Fund to be used to make such deposits, and the funding requirements for the then-current calendar month contained in the Senior Lien Resolution have been satisfied, prior to the withdrawal or use of funds for the purpose of paying or providing for the payment of Subordinate Bonds.

If the conditions (a), (b) and (c) above are met, and an amount at least equal to the amount reasonably estimated by the City to be needed to provide for the System's operation and maintenance expenses during the next 45 days shall remain in the SCM Fund, then the City may at any time and, subject to the conditions set forth above, shall, as required by Supplemental Resolutions, withdraw from the SCM Fund such amounts as are required by this Subordinate General Resolution and the Supplemental Resolutions to pay debt service on Subordinate Bonds or to provide for the payment of debt service on Subordinate Bonds and fulfill other funding requirements contained in Supplemental Resolutions under which Subordinate Bonds have been issued.

If the conditions (a), (b) and (c) above are met, an amount at least equal to the amount reasonably estimated by the City to be needed to provide for the System's operation and maintenance expenses during the next 45 days shall remain in the SCM Fund, and the City has withdrawn from the SCM Fund such amounts as are required by this Supplemental General Resolution and the Supplemental Resolutions for the then-current calendar month to pay debt service on Subordinate Bonds or to provide for the payment of debt service on Subordinate Bonds and fulfill other funding requirements for the then-current calendar month contained in Supplemental Resolutions under which Subordinate Bonds have been issued, then the City may

use any amounts in the SCM Fund, from time to time, to pay capital expenses of the System or be used for any other lawful purpose related to the System.

Any amounts in the SCM Fund which are not Revenues may be used or withdrawn at any time without any restriction imposed by this Subordinate General Resolution.

Section 5.04 The Debt Service Funds. Amounts in the Debt Service Funds established pursuant to the Supplemental Resolutions shall be used to pay interest and principal on the Subordinate Bonds of the Series for which such Fund was created as the same becomes due and payable. Such Debt Service Funds may be established and held by the City or established by the City, but held by a Paying Agent, but in any case, the fund shall be held in trust as security and a source of payment for the Series of Subordinate Bonds for which it was created. Amounts which are held in a Debt Service Fund for the payment of Subordinate Bonds of any Series which are due and payable but which have not been presented for payment and amounts which are in a Debt Service Fund to pay the redemption price of Subordinate Bonds of any Series which have been called for redemption, but which have not been presented for payment shall be so designated, segregated in such fund, held in trust for the Owners of such Subordinate Bonds of such Series and be available only to make payments on such specific Subordinate Bonds of such Series presented. In addition to the direct payment of principal, interest and redemption price, if interest, principal, or redemption price on a Series of Subordinate Bonds is paid by or through a form of credit enhancement provided for such Series of Subordinate Bonds, amounts in the Debt Service Fund created for such Series may, if so provided by Supplemental Resolution, be used to reimburse such amounts to the Insurer providing the credit support.

Section 5.05 Reserve Fund. The City may, by Supplemental Resolution, at the time of authorization of any Series of Subordinate Bonds or at any time thereafter, provide for the creation of a Reserve Fund, as security for such series. The Supplemental Resolution shall provide for the size and manner of funding and replenishing of such Reserve Fund and shall establish such other terms with respect to such Reserve Fund as the City deems to be appropriate. The provisions for funding or replenishing any Reserve Fund shall not permit any deposit into the Reserve Fund to be made from the SCM Fund unless all payments of principal of and interest on all Subordinate Bonds which have become due and payable have been paid in full or provision has been made for the payment thereof. Moneys held in a Reserve Fund shall be used for the propose of paying principal and interest on Subordinate Bonds of a Series in accordance with the Supplemental Resolution under which the Subordinate Bonds of such Series are issued and the Reserve Fund created.

Section 5.06 The Construction Funds. Each Construction Fund shall be created under the terms of the Supplemental Resolution authorizing the related Series of Subordinate Bonds. The individual Construction Funds shall be funded with proceeds of the Series of Subordinate Bonds for which the fund was created and with the earnings thereon. Moneys in the respective Construction Funds shall be used to pay Project Costs or other costs as provided in the Supplemental Resolutions creating such accounts.

Section 5.07 Moneys Held in Trust; Unclaimed Moneys. All moneys which shall have been segregated within a Debt Service Fund or deposited with a Paying Agent for the purpose of paying any Subordinate Bonds which have become due and payable, either at the maturity thereof

or upon call for redemption, shall be held in trust for the respective holders of such Subordinate Bonds and such funds shall be held (i) uninvested, (ii) in Government Obligations with a maturity not longer than 30 days or such earlier date on which funds will be needed to make payments on the Subordinate Bonds, (iii) in repurchase agreements which are fully secured by Government Obligations, or (iv) other investments specified by Supplemental Resolution. Any moneys which shall be so segregated or deposited and which shall remain unclaimed by the Holders of such Subordinate Bonds for a period of three years after the date on which such Subordinates Bonds shall have become due and payable (or such longer period as shall be required by state law) shall be released from trust and deposited into the SCM Fund, and thereafter the holders of such Subordinate Bonds shall look only to the SCM Fund for payment and the City shall be obligated to make such payment, but only to the extent of the original amounts due on such Subordinate Bonds on the original due date or redemption date and without any interest thereon and the City shall be obligated to make payment only from Revenues.

Section 5.08 Additional Funds. The City may create additional funds under this Subordinate General Resolution or any Supplemental Resolution for such purposes as the City deems appropriate, including separate funds available only for specified Subordinate Bonds or Series of Subordinate Bonds; however, except for Debt Service Funds and Reserve Funds, the Revenues may be used to fund such funds only if the conditions for the use of excess amounts in the SCM Fund are met as provided in Section 5.03.

Section 5.09 Additional Security. The Revenues secure all Subordinate Bonds issued under the terms of this Subordinate General Resolution on an equal and ratable basis. The City may, however, in its discretion, provide additional security or credit enhancement for specified Subordinate Bonds or Series of Subordinate Bonds with no obligation to provide such additional security or credit enhancement to other Subordinate Bonds.

ARTICLE VI

COVENANTS OF THE CITY

Section 6.01 Payment of Principal and Interest. The City covenants and agrees that it will duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on every Subordinate Bond at the place and on the dates and in the manner herein and in the Subordinate Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements herein and in the Subordinate Bonds contained and the City agrees that time is of the essence under this Subordinate General Resolution; provided, however, that (i) the City's obligation to make payment of the principal of, premium, if any, and interest on the Subordinate Bonds shall be strictly limited and the City shall only be obligated to make such payments from and to the extent of the Revenues and amounts in the SCM Fund and, with respect to the individual Series of Subordinate Bonds, from the Debt Service Fund and the Reserve Fund, if any, created for such Series, and any other source which the City may specifically provide for the Subordinate Bonds or any Series of Subordinate Bonds, (ii) no Bondholder shall have any right to require payment from any other funds of the City, (iii) the City's obligation to make payments of the principal of, premium, if any, and interest on the Subordinate Bonds from Revenues shall be subordinate to the City's obligations to make payments on the Senior Lien Bonds and to make deposits required by the Senior Lien Resolution,

and (iv) no Revenues shall be withdrawn from the SCM Fund and used to make payments on or provide for the payment of Subordinate Bonds unless the conditions set forth in Section 5.03 of this Subordinate General Resolution have been met. The general fund of the City is not liable for the payment of the principal of, interest on or premium, if any, on the Subordinate Bonds. Neither the full faith and credit nor the taxing power of the City is pledged to or will be available to pay the Subordinate Bonds.

Section 6.02 Performance of Covenants by the City; Authority; Due Execution. The City covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Subordinate General Resolution, in any and every Subordinate Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The City represents and warrants that it is duly authorized under the constitution and laws of the State and its Charter to issue the Subordinate Bonds and pledge the Revenue thereto, on a subordinate basis, as provided herein, and that the City has not except as provided in the Senior Lien Resolution previously pledged such Revenues to secure any obligations.

Section 6.03 Rate Covenant.

(a) The City will, at all times while any of the Subordinate Bonds remain Outstanding, establish, fix, prescribe and collect rates, fees and charges, and collect other moneys, in each case, in connection with the use of the System so that Revenues and other amounts deposited into or on deposit in the SCM Fund in each Fiscal Year will be at least sufficient to pay the following amounts:

(1) the interest on and principal of the outstanding Senior Lien Bonds and Subordinate Bonds as they become due and payable;

(2) all other payments required for compliance with the terms of the Senior Lien Resolution and this Subordinate General Resolution and of any Supplemental Resolution including, but not limited to, the required deposits under Section 5.03 of the Senior Lien Resolution and to the Debt Service Funds and Reserve Funds, if any, created under Supplemental Resolutions; and

(3) all current operation and maintenance costs of the System (but not including such operation and maintenance costs as are scheduled to be paid by the City from moneys other than Revenues, such moneys to be clearly available for such purpose).

(b) The City further agrees that it will establish, fix, prescribe and collect rates, fees and charges, and collect other moneys, in each case, in connection with the use of the System so that during each Fiscal Year the Net Revenues and other amounts deposited into or on deposit in the SCM Fund are equal to at least 110% of the scheduled debt service becoming due on Outstanding Senior Lien Bonds and Subordinate Bonds in such year provided that for such purposes, the principal amount of Senior Lien Bonds and Subordinate Bonds becoming due in such year which is paid from the proceeds of other borrowings shall not be included as debt service becoming due in such year.

For the purpose of calculating scheduled debt service coming due on Outstanding Senior Lien Bonds and Subordinate Bonds, in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Senior Lien Bonds or Subordinate Bonds that were issued as Direct Subsidy Bonds, such amount shall be reduced by an amount equal to the Refundable Credits the City is scheduled to receive during each such twelve-month period ending June 30 (and to avoid double counting, an equivalent amount shall be deducted from Revenues for the purpose of such calculation).

Section 6.04 Instruments of Further Assurance. The City covenants that it will, through its appropriate officers, employees and agents, do, adopt, execute, acknowledge and deliver, or cause to be done, adopted, executed, acknowledged and delivered, such Supplemental Resolutions and such further acts, instruments and transfers as may reasonably be necessary to establish or confirm to the Owners of the Subordinate Bonds all of the rights and obligations of the City under and pursuant to this Subordinate General Resolution.

Section 6.05 [Reserved.]

Section 6.06 Restriction Upon Prior and Parity Obligations; Provision for Subordinated Obligations. The City covenants that it will not, except to the extent it issues additional Senior Lien Bonds under the terms of the Senior Lien Resolution, issue any other obligations, except upon the condition and in the manner provided in Sections 3.09 and 3.10, payable from the Revenues prior to or on a parity with the Subordinate Bonds or secured by a prior or parity interest in the Revenues, and the City covenants that it will not voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or any other charge having priority to or being on a parity with the lien held by the Holders of the Subordinate Bonds upon the Revenues, or any part thereof. This provision shall not be deemed to restrict the City's ability to incur obligations for ordinary and reasonable operation and maintenance expenses payable on an ongoing basis from the SCM Fund as provided in Section 5.03. Such obligations for operation and maintenance expenses shall not be secured by nor create a lien on the Revenues. The City may issue obligations on a basis subordinate to the Subordinate Bonds provided that any such subordinated obligations issued by the City and payable from the Revenues shall contain an express statement that such obligations are junior and subordinate to the Subordinate Bonds issued under Article III of this Subordinate General Resolution as to lien on and source and security for payment from the Revenues. Any such subordinated obligations may be paid on an ongoing basis from the Revenues so long as the conditions set forth in Section 5.03 are met.

Section 6.07 Operation and Maintenance of System. The City will maintain and preserve the System in good repair and working order at all times, in conformity with standards customarily followed for municipal wastewater systems of like size and character. The City will, from time to time, make all necessary and proper repairs, renewals, replacements and substitutions to the properties of the System, so that at all times business carried on in connection with the System shall and can be properly and advantageously conducted in an efficient manner and at reasonable cost, and will operate the System in an efficient and economical manner, consistent with the protection of the holders of the Subordinate Bonds.

Section 6.08 [Reserved.]

Section 6.09 Books and Accounts; Financial Statements.

(a) The City will keep proper books of record and accounts of the SCM Fund, the Debt Service Funds, the Reserve Funds, if any, and the Construction Funds, in which complete and correct entries shall be made of all transactions relating to such funds. Such books of record and accounts shall at all times during business hours be subject to the inspection of any Bondholder or a representative thereof who is authorized in writing, at reasonable hours and under reasonable conditions.

(b) The City will prepare annually within 270 days after the close of each Fiscal Year so long as any of the Subordinate Bonds are Outstanding financial statements of the SCM Fund, the Debt Service Funds, the Reserve Funds, if any, and the Construction Funds for the preceding Fiscal Year, prepared in accordance with generally accepted accounting principles applied on a consistent basis from year to year which financial statements shall be examined by and include the certificate or opinion of an independent certified public accountant. The City will make the financial statements available for examination by any Bondholder and will furnish a copy of the financial statements to any Bondholder upon request. The City may charge a fee to cover the cost of copying.

(c) The City shall each year cause the independent certified public accountant which delivers the certificate or opinion described in subsection (b) above to prepare and deliver, with the financial statements, a certificate showing that during such Fiscal Year the City was in compliance with its rate covenant as set forth in Section 6.03(b) or if the City was not in compliance, nonetheless, showing the ratio of Net Revenues to debt service for such year.

(d) The City will annually, prior to the beginning of each Fiscal Year, prepare and adopt a budget for the SCM Fund which budget shall include the budgeted receipts and expenditures of the SCM Fund and the rates and charges to be implemented to assure that the City is able to comply with its covenants as set forth in this Subordinate General Resolution, and the City will annually prepare a five-year capital plan or capital budget setting forth in reasonable detail the expected amounts to be expended in each year for capital needs of the System and the purposes for which such expected amounts are to be expended.

Section 6.10 Ownership and Operation. The City will not sell, transfer or otherwise dispose of the System or any part thereof essential to the proper operation of the System unless, after giving effect to such sale, transfer or disposition, the City reasonably expects that the System is able to generate sufficient Revenues to satisfy its obligations under Section 6.03 hereof.

Section 6.11 Insurance and Condemnation. The City agrees that it will, to the extent it determines that insurance or reserves covering risks to the System is appropriate for the System, insure or provide a self-insured reserve as protection against loss or damage to the System arising from fire, storm or other causes; provided that the City shall not be required to maintain insurance or reserve against loss or damage resulting from earthquakes if the City determines that the cost thereof is excessive.

If the City determines to obtain insurance to comply with the preceding paragraph, the City may, but shall not be required to, rely on the advice of an independent insurance consultant for purposes of determining the types and amounts of insurance to be maintained. Such insurance may be maintained through a pooled risk arrangement with other entities, through commercial insurance, a captive insurance company or through other arrangements which the City determines to be appropriate, including a combination of commercial insurance and self-insurance in accordance with the City's self-insurance policy.

If the City determines to provide a self-insurance fund to comply with the first paragraph of this Section, the City shall establish and fund a separate self-insurance fund or together with other cities or political subdivisions establish a pooled self-insurance fund. The amount to be deposited into and maintained in the self-insurance fund shall be that amount determined by the City or by an independent insurance consultant retained by the City as necessary to adequately reserve against the risks to be covered. If such a self-insurance fund is established, the level of funding shall be reviewed annually and, on or before the last day of each Fiscal Year, the City shall determine the amount to be held in such fund for the next Fiscal Year and, if the amount in such fund is to be increased, the City shall include the amount of such increase in the budget for the SCM Fund.

Section 6.12 Resolution to Constitute a Contract. This Subordinate General Resolution is adopted by the Council for the benefit of the Bondholders and constitutes a contract with the Bondholders.

ARTICLE VII

INVESTMENTS

Moneys held in the SCM Fund, the Debt Service Funds, the Reserve Funds, if any, and the Construction Funds shall be invested and reinvested as determined by the City, in Permitted Investments subject to the restrictions set forth in this Article VII and the restrictions set forth in any Supplemental Resolution. Such investments may be made by commingling such amounts for investment purposes with other funds of the City, provided that the amount of each such fund and the earnings thereon are clearly accounted for. The maturities of investments in the Debt Service Funds shall not extend beyond the time when funds will be needed therefrom to make payment on the Subordinate Bonds. Investments of moneys in any such fund shall be deemed at all times to be a part of such fund.

Earnings on the SCM Fund shall be credited to and deposited in the SCM Fund. Earnings on a Construction Fund when received shall be credited to and deposited in such Construction Fund. Earnings on a Debt Service Fund when received shall be credited to and deposited in such Debt Service Fund. Earnings on any Reserve Fund shall be credited and deposited as provided in the Supplemental Resolution creating such Reserve Fund.

ARTICLE VIII

DEFEASANCE

Subordinate Bonds of any Series or portions thereof (such portions to be in integral multiples of the Authorized Denomination) which have been paid in full or which are deemed to have been paid in full shall no longer be secured by or entitled to the benefits of this Subordinate General Resolution except for the purposes of payment from moneys or Government Obligations held by the City or a Paying Agent for such purpose. When all Subordinate Bonds which have been issued under this Subordinate General Resolution have been paid in full or are deemed to have been paid in full, and all other sums payable hereunder by the City, including all necessary and proper fees, compensation and expenses of any Registrar or Paying Agent, have been paid or are duly provided for, then the pledge of the Revenues granted hereby shall cease, terminate and become void, and this Subordinate General Resolution shall cease to be a lien on such Revenues and shall be discharged, except that funds or securities which are held by the City or a Paying Agent for the payment of the principal of, premium, if any, and interest on the Subordinate Bonds shall continue to be held in trust for such purpose.

A Subordinate Bond of any Series, except as provided in the last paragraph of this Article or by Supplemental Resolution, shall be deemed to be paid within the meaning of this Article VIII and for all purposes of this Subordinate General Resolution when (a) payment of the principal, interest and premium, if any, either (i) shall have been made in accordance with the terms of the Subordinate Bonds and this Subordinate General Resolution or (ii) shall have been provided for by irrevocably setting aside exclusively for such payment, (1) moneys sufficient to make such payment and/or (2) Government Obligations, maturing as to principal and interest or payable to the City or its agent on demand in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of any Registrar and any Paying Agent pertaining to the Subordinate Bonds with respect to which such deposit is made shall have been paid or provision made for the payment thereof. At such times as Subordinate Bonds shall be deemed to be paid hereunder, such Subordinate Bonds shall no longer be secured by or entitled to the benefits of this Subordinate General Resolution, except for the purposes of payment from such moneys or Government Obligations.

Notwithstanding the foregoing paragraph, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of any such Subordinate Bonds unless the City has given notice or has agreed to give notice in accordance with Section 4.03, as soon as practicable, to the Owners of the Subordinate Bonds with respect to which such deposit has been made and that such deposit has been made and in such notice has included or will include the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable redemption premium, if any, on such Subordinate Bonds and the City has given or has agreed to give proper and timely notice of the redemption of those Subordinate Bonds which are to be redeemed in advance of their maturity.

Notwithstanding the foregoing provisions of this Article, the Bank Notes (as such term is defined in the First Supplemental Subordinate Resolution) which are part of a Commercial Paper Program shall remain Outstanding and shall not be deemed paid until such Bank Notes and the interest thereon shall have been paid in full.

ARTICLE IX

DEFAULTS AND REMEDIES

Section 9.01 Events of Default. Each of the following events shall constitute and is referred to in this Subordinate General Resolution as an “Event of Default”:

(a) a failure to pay the principal of or premium, if any, on any of the Senior Lien Bonds or the Subordinate Bonds when the same shall become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Senior Lien Bonds or the Subordinate Bonds when such interest shall become due and payable;

(c) a failure in a given Fiscal Year to achieve the level of debt service coverage required by Section 6.03(b); provided that such event shall not constitute an Event of Default hereunder if (i) the budget for such Fiscal Year and the rates and charges implemented in accordance with such budget were such that the required level of debt service coverage was projected to be achieved, and (ii) immediately upon discovery of the failure to achieve the required coverage the City commences such action as is reasonable to assure that required coverage is achieved in the succeeding year;

(d) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as specified in subsections (a), (b), (c) and (d) of this Section 9.01) contained in the Subordinate Bonds or in this Subordinate General Resolution on the part of the City to be observed or performed, which failure shall continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the City by an Insurer on a Series of Subordinate Bonds or by the Holders of 25% or more of the principal amount of the Subordinate Bonds then Outstanding, unless such Insurer (if the Insurer has given the notice of such failure to comply with the terms hereof) or, if the notice has been given by the Holders, the Holders of Subordinate Bonds in a principal amount not less than the principal amount of Subordinate Bonds the Holders of which gave such notice, shall agree in writing to an extension of such period; provided, however, that the Insurer and the Holders shall be deemed to have agreed to an extension of such period if corrective action is initiated by the City within 60 days after receipt of such written notice and is being diligently pursued;

(e) a failure on the part of the City to collect the Revenues, or an attempt to divert the Revenues for any use prior to the deposit into the SCM Fund or creation of a lien on or a charge against the Revenues or the SCM Fund, which lien or charge is prior to (except to the extent such lien secures Senior Lien Bonds), or, except to the extent permitted by this Subordinate General Resolution, on a parity with that granted to secure the Subordinate Bonds; or the creation of a lien on or a charge against a Debt Service Fund or Reserve Fund which, except to the extent permitted by this Subordinate General Resolution, lien or charge is prior to or on a parity with, the lien granted to secure a Series of Subordinate Bonds; and

(f) the occurrence of any other Event of Default as is provided in a Supplemental Resolution.

Section 9.02 Acceleration; Other Remedies.

(a) Upon the occurrence and continuance of an Event of Default described in Section 9.01, any Insurer or the Holders of 51% or more of the principal amount of the Subordinate Bonds which are then Outstanding and which are subject to acceleration, may by written notice to the City, declare the Subordinate Bonds which are subject to acceleration to be immediately due and payable, whereupon the Subordinate Bonds which are subject to acceleration shall, without further action, become and be immediately due and payable, anything in this Subordinate General Resolution or in the Subordinate Bonds to the contrary notwithstanding. All Subordinate Bonds Outstanding under this Subordinate General Resolution shall be subject to acceleration unless, under the terms of the Supplemental Resolution authorizing such Subordinate Bonds, a Series of Subordinate Bonds or a portion of a Series is declared not to be subject to acceleration; and provided that, with respect to any Series of Subordinate Bonds or portion of a Series of Subordinate Bonds which is credit enhanced, no acceleration shall be effective with respect to such Subordinate Bonds unless the declaration is given by the Insurer or is consented to by the Insurer.

(b) The provisions of the preceding paragraph are subject to the condition that, if after the principal of the Subordinate Bonds shall have been declared to be due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall cause to be paid all matured installments of interest upon all Subordinate Bonds and the principal of any and all Subordinate Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and, to the extent permissible by law, on overdue installments of interest, at the rate per annum specified in the Subordinate Bonds) and all Events of Default hereunder other than nonpayment of the principal of Subordinate Bonds which shall have become due by such declaration shall have been remedied, then the holders of at least a majority in principal amount of Subordinate Bonds Outstanding including a majority in principal amount of Subordinate Bonds which have been accelerated may, if all Insurers consent in writing to such waiver, waive the Event of Default and rescind or annul the acceleration and its consequences. 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.

(c) Upon the occurrence and continuance of any Event of Default, the Holders of 51% or more of the principal amount of the Subordinate Bonds then Outstanding or any Insurer shall have the right:

(i) by mandamus, or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, and require the City to carry out any agreements with or for the benefit of the Bondholders and to perform its duties or agreements under this Subordinate General Resolution or any Supplemental Resolution, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of this Subordinate General Resolution;

- (ii) to bring suit upon the Subordinate Bonds;
- (iii) to commence an action or suit in equity to require the City to account as if it were the trustee of an express trust for the Bondholders; or
- (iv) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

In the event of a conflict between the actions taken or proposed to be taken under this Section 9.02(c) by any Insurer and the Holders of the Subordinate Bonds or between the Insurers on different Series of Subordinate Bonds, the position taken by the entity or group of Bondholders representing the greatest principal amount of Subordinate Bonds Outstanding shall prevail. For such purposes the Insurer of a Series of Subordinate Bonds shall be deemed to represent the entire principal amount of Subordinate Bonds for which such Insurer has provided credit enhancement.

(d) Any Holder of any Subordinate Bond issued under the terms of the Revenue Bond Law may compel the use of any or all of the remedies provided in the Revenue Bond Law.

Section 9.03 Restoration to Former Position. In the event that any proceeding taken to enforce any right under this Subordinate General Resolution shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bondholders, then the City, and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Bondholders and the Insurers shall continue as though no such proceeding had been taken.

Section 9.04 No Impairment of Right to Enforce Payment. Notwithstanding any other provision in this Subordinate General Resolution, the right of any Bondholder to receive payment of the principal of and interest on such Subordinate Bond, on or after the respective due dates expressed therein and to the extent of the Revenues, or to institute suit for the enforcement of any such payment on or after such respective date, shall not be impaired or affected without the consent of such Bondholder.

Section 9.05 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Bondholders or the Insurers 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 hereunder, or now or hereafter existing at law or in equity or by statute.

Section 9.06 No Waiver of Remedies. No delay or omission of any Bondholder or Insurer to exercise any right or power accruing upon any default shall impair any such right or power or be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article IX to the Bondholders and the Insurers may be exercised from time to time and as often as may be deemed expedient.

Section 9.07 Application of Moneys. Any moneys received by any receiver or by any Bondholder or Insurer pursuant to any right given or action taken under the provisions of this Article IX, after payment of the costs and expenses of the proceedings resulting in the collection

of such moneys and of the expenses, liabilities and advances incurred or made by the receiver, Bondholder or Insurer, shall be applied as follows:

(a) Unless the principal of all the Subordinate Bonds of such Series shall have been declared due and payable, all such moneys shall be applied (i) first, to the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Bonds of such Series, with interest on overdue installments, if lawful, at the rate provided in the respective Subordinate Bonds, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (ii) second, to the payment to the persons entitled thereto of the unpaid principal of the Subordinate Bonds of such Series which has become due with interest on such unpaid principal amounts at the rates borne by the respective Subordinate Bonds from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full all Subordinate Bonds of such Series due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

(b) If the principal of all the Subordinate Bonds of such Series shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon all Subordinate Bonds of such Series, with interest on overdue interest, if lawful, and principal, as aforesaid, without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinate Bond of such Series over any other Subordinate Bond of such Series, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Subordinate Bonds of such Series shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled, then, subject to the provisions of clause (b) of this Section 9.07 which shall be applicable in the event that the principal of all the Subordinate Bonds of such Series shall later become due and payable, the moneys shall be applied in accordance with the provisions of clause (a) of this Section 9.07.

Whenever moneys are to be applied pursuant to the provisions of this Section 9.07, such moneys shall be applied at such times, and from time to time, as the receiver, Bondholders or Insurer shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such applications in the future.

Section 9.08 Severability of Remedies. It is the purpose and intention of this Article IX to provide all rights and remedies to the Bondholders and Insurers that may be lawfully granted, but should any right or remedy herein granted be held to be unlawful, the Bondholders and Insurers shall be entitled, as above set forth, to every other right and remedy provided in this Subordinate General Resolution and by applicable law.

Section 9.09 Additional Events of Default and Remedies. So long as any particular Series of Subordinate Bonds is Outstanding, the Events of Default and remedies as set forth in this Article IX may be supplemented with additional Events of Default and remedies as set forth in the Supplemental Resolution under which such Series of Subordinate Bonds is issued and additional Events of Default and remedies, not necessarily limited to the time any Series of Subordinate Bonds are Outstanding may likewise be added from time to time by Supplemental Resolution.

ARTICLE X

PAYING AGENT AND CO-PAYING AGENTS; REGISTRAR

Section 10.01 Paying Agent. The City may at any time or from time to time appoint a Paying Agent or Paying Agents for the Subordinate Bonds or for any Series of Subordinate Bonds and may from time to time remove a Paying Agent. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it hereunder or under a Supplemental Resolution by a written instrument of acceptance delivered to the City under which each such Paying Agent will agree, particularly:

- (a) to hold all sums delivered to it for the payment of the principal of, premium or interest on Subordinate Bonds in trust for the benefit of the Bondholders until such sums shall be paid to such Bondholders or repaid to the City as herein provided;
- (b) to keep such books and records as shall be consistent with prudent industry practice, to make such books and records available for inspection by the City at all reasonable times; and
- (c) upon the request of the City, to forthwith deliver to the City all sums so held in trust by such Paying Agent.

Section 10.02 Registrar. The City may appoint a Registrar for the Subordinate Bonds or a Registrar for any Series of Subordinate Bonds and may from time to time remove a Registrar. Each Registrar shall signify its acceptance of the duties imposed upon it hereunder or under a Supplemental Resolution by a written instrument of acceptance delivered to the City under which such Registrar will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the City and the Paying Agent at all reasonable times.

Section 10.03 Other Agents. The City may from time to time appoint other agents to perform duties and obligations under this Subordinate General Resolution or under a Supplemental Resolution, which agents may include, but not be limited to, tender agents, remarketing agents, escrow agents, issuing and paying agents and authenticating agents and may remove such agents.

Section 10.04 Several Capacities. Anything in this Resolution to the contrary notwithstanding, the same entity may serve hereunder as the Paying Agent, Registrar and any other agent appointed to perform duties or obligations under this Subordinate General Resolution, under a Supplemental Resolution or an escrow agreement or in any combination of such capacities or other capacities.

ARTICLE XI

SUPPLEMENTAL RESOLUTIONS

Section 11.01 Limitations. This Subordinate General Resolution shall not be modified or amended except as provided in and in accordance with and subject to the provisions of this Article XI.

Section 11.02 Supplemental Resolutions Not Requiring Consent of Bondholders. The Council may, from time to time and at any time, without the consent of or notice to the Bondholders, adopt Supplemental Resolutions supplementing or amending, or both, this Subordinate General Resolution or any Supplemental Resolution as follows:

- (a) to provide for the issuance of a Series or multiple Series of Subordinate Bonds under the provisions of Section 3.09 of this Subordinate General Resolution and to set forth the terms of such Subordinate Bonds and the special provisions which shall apply to such Subordinate Bonds;
- (b) to cure any formal defect, omission, inconsistency or ambiguity in this Subordinate General Resolution or any Supplemental Resolution;
- (c) to add to the covenants and agreements of the City in this Subordinate General Resolution or to surrender any right or power reserved or conferred upon the City, and which shall not adversely affect the interests of the Bondholders;
- (d) to confirm, as further assurance, any interest in and to the Revenues or in and to the funds required to be established as provided herein or in and to any other moneys, securities or funds of the City provided pursuant to this Subordinate General Resolution or to otherwise add additional security for the Bondholders;
- (e) to evidence any change in the terms of any Series of Subordinate Bonds if such changes are authorized by the Supplemental Resolution at the time the Series of Subordinate Bonds is issued and such change is made in accordance with the terms of such Supplemental Resolution;
- (f) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended or any statutory provisions substituted therefor;
- (g) to modify, alter, amend or supplement this Subordinate General Resolution or any Supplemental Resolution in any other respect which is not materially adverse to the Bondholders;
- (h) to provide for uncertificated Subordinate Bonds or for the issuance of coupons and bearer Subordinate Bonds or Subordinate Bonds registered only as to principal;

(i) to qualify the Subordinate Bonds or a Series of Subordinate Bonds for a rating or ratings or an upgrade in a rating or ratings by Moody's, S&P and/or Fitch or any other nationally recognized rating agency then rating any Series of Subordinate Bonds; and

(j) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the interest on the Subordinate Bonds or a Series of Subordinate Bonds from being included in gross income of the recipient for federal income taxation purposes.

Before the City shall, pursuant to this Section 11.02, adopt any Supplemental Resolution, there shall have been delivered to the City an opinion of Bond Counsel stating that such Supplemental Resolution is authorized or permitted by this Subordinate General Resolution, complies with its terms, will, upon the adoption thereof, be valid and binding upon the City in accordance with its terms and that, with respect to Subordinate Bonds the interest on which was, at the time of issuance thereof, determined to be excluded from gross income of the recipients thereof for federal income tax purposes, such Supplemental Resolution will not cause the interest on such Subordinate Bonds to be included in the gross income of such recipients for federal income tax purposes and that, with respect to Subordinate Bonds the interest on which was, at the time of issuance, determined to be exempt from California personal income taxation, such Supplemental Resolution will not cause the interest on such Subordinate Bonds to become subject to such taxation.

Section 11.03 Supplemental Resolutions Requiring Consent of Bondholders.

(a) Except for Supplemental Resolutions adopted pursuant to Section 11.02 and except for Supplemental Resolutions adopted pursuant to Section 11.03(b) below, the City shall not adopt any Supplemental Resolution unless all Insurers and the holders of not less than 51% in aggregate principal amount of the Subordinate Bonds then outstanding shall have consented to and approved the adoption of such Supplemental Resolution. With such consents and approval, the City may, from time to time, adopt any Supplemental Resolution deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this Subordinate General Resolution or in a Supplemental Resolution; provided, however, that, unless approved in writing by the holders of all the Subordinate Bonds which would be affected by such change or unless such change affects less than all Series of Subordinate Bonds and the following subsection (b) is applicable, nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or interest on any outstanding Subordinate Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Bonds or the rate of interest thereon; and provided that nothing herein contained, including the provisions of Section 11.03(b) below, shall, unless approved in writing by the holders of all the Subordinate Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by this Subordinate General Resolution as originally executed) upon or pledge of the Revenues created by this Subordinate General Resolution, ranking prior to or on a parity with the claim created by this Subordinate General Resolution, or (iv) except with respect to additional security which may be provided for a particular Series of Subordinate Bonds,

a preference or priority of any Subordinate Bond or Subordinate Bonds over any other Subordinate Bond or Subordinate Bonds, or (v) a reduction in the aggregate principal amount of Subordinate Bonds the consent of the Bondholders of which is required prior to the adoption of a Supplemental Resolution.

(b) The City may, from time to time and at any time adopt a Supplemental Resolution which amends the provisions of an earlier Supplemental Resolution under which a Series or multiple Series of Subordinate Bonds were issued. If such Supplemental Resolution is adopted for one of the purposes set forth in Section 11.02, no notice to or consent of the Bondholders shall be required. If such Supplemental Resolution contains provisions which affect the rights and interests of less than all Series of Subordinate Bonds Outstanding and Section 11.02 is not applicable, then this subsection (b) rather than subsection (a) above shall control and, subject to the terms and provisions contained in this Section 11.03, the holders of not less than 51% in aggregate principal amount of the Subordinate Bonds of all series which are directly affected by such changes and all Insurers of Subordinate Bonds of such Series which are directly affected shall have the right from time to time to consent to and approve the adoption of any Supplemental Resolution deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Resolution and affecting only the Subordinate Bonds of such series; provided, however, that, unless approved in writing by the holders of all the Subordinate Bonds which would be affected by such change, nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or interest on any Outstanding Subordinate Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Bonds of such Series or the rate of interest thereon.

(c) If Bondholders of not less than the percentage of Subordinate Bonds required by this Section 11.03 shall have consented to and approved the adoption thereof as herein provided, no Bondholder shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the City from adopting the same or from taking any action pursuant to the provisions thereof.

Section 11.04 Effect of Supplemental Resolution. Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Article XI, this Subordinate General Resolution or the Supplemental Resolution shall thereupon be modified and amended in accordance therewith and shall be binding upon all Holders of Subordinate Bonds issued under this Subordinate General Resolution, and the respective rights, duties, and obligations under this Subordinate General Resolution and the Supplemental Resolution of the City, and all Bondholders shall thereafter be determined, exercised and enforced under this Subordinate General Resolution and the Supplemental Resolution, if applicable, subject in all respects to such modifications and amendments.

Section 11.05 Supplemental Resolutions to Be Part of This Subordinate General Resolution. Any Supplemental Resolution adopted in accordance with the provisions of this

Article XI shall thereafter form a part of this Subordinate General Resolution or the Supplemental Resolution which it supplements or amends, and all of the terms and conditions contained in any such Supplemental Resolution shall be part of the terms and conditions of this Subordinate General Resolution or the Supplemental Resolution which it supplements or amends.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.01 Parties in Interest. Except as herein otherwise specifically provided, nothing in this Subordinate General Resolution expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the City, the Bondholders, the Insurers and any agents appointed as described herein any right, remedy or claim under or by reason of this Subordinate General Resolution. This Subordinate General Resolution is for the sole and exclusive benefit of the City, the Bondholders, the Insurers and any such agents.

Section 12.02 Severability. In case any one or more of the provisions of this Subordinate General Resolution, any Supplemental Resolution or of any Subordinate Bonds issued hereunder shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Subordinate General Resolution, Supplemental Resolution or of the Subordinate Bonds, and this Subordinate General Resolution, any such Supplemental Resolution and any Subordinate Bonds issued hereunder shall be construed and enforced as if such illegal or invalid provisions had not been contained herein or therein.

Section 12.03 No Personal Liability of City Officials. No covenant or agreement contained in the Subordinate Bonds or in this Subordinate General Resolution shall be deemed to be the covenant or agreement of any present or future official, officer, agent or employee of the City in his or her individual capacity, and neither the officers of the City nor any person executing the Subordinate Bonds shall be liable personally on the Subordinate Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 12.04 Execution of Instruments; Proof of Ownership. Any request, direction, consent or other instrument in writing required or permitted by this Subordinate General Resolution to be signed or executed by Bondholders or on their behalf by an attorney-in-fact may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by an agent or attorney-in-fact appointed by an instrument in writing or as provided in the Subordinate Bonds. Proof of the execution of any such instrument and of the ownership of Subordinate Bonds shall be sufficient for any purpose of this Subordinate General Resolution and shall be conclusive in favor of the City with regard to any action taken by it under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution.

(b) The ownership of Subordinate Bonds shall be proved by the registration books kept under the provisions of Section 3.04 hereof.

Nothing contained in this Section 12.04 shall be construed as limiting the City to such proof. The City may accept any other evidence of matters herein stated which it may deem sufficient. Any request, consent of or assignment by any Bondholder shall bind every future Bondholder of the same Subordinate Bonds or any Subordinate Bonds issued in lieu thereof in respect of anything done by the City in pursuance of such request or consent.

Section 12.05 Governing Law. The laws of the State shall govern the construction and enforcement of this Subordinate General Resolution and of all Subordinate Bonds issued hereunder.

Section 12.06 Notices. Except as otherwise provided in this Subordinate General Resolution, all notices, certificates, requests, requisitions or other communications by the City, any Paying Agent or Registrar, pursuant to this Subordinate General Resolution, shall be in writing and shall be sufficiently given and shall be deemed given when given by Mail, addressed as follows: if the City, to the City of Los Angeles, c/o the City Administrative Officer, 200 North Main Street, Los Angeles, California 90012, Suite 1500; if to a Paying Agent or Registrar, to such address as is designated in writing by it to the City. Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests, or other communications shall be sent hereunder. Any of the foregoing may also be sent by Electronic Means, receipt of which shall be confirmed.

Section 12.07 Holidays. 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 Subordinate General Resolution, shall not be a Business Day, such payment may, unless otherwise provided in this Subordinate General Resolution or, with respect to any Series of Subordinate Bonds or portion of Series of Subordinate Bonds, provided in the Supplemental Resolution under which such Subordinate Bonds are issued, 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 in this Subordinate General Resolution, and no interest shall accrue for the period from such nominal date to the next Business Day.

Section 12.08 Validity of Subordinate Bonds Not Affected by Acts of the City. The validity of the authorization and issuance of the Subordinate Bonds by the City shall not be dependent upon or affected in any way by:

(a) Proceedings taken by the City for the acquisition, construction or completion of any Project or any part thereof;

(b) Any contracts made in connection with the acquisition, construction or completion of any Project; or

(c) The failure to complete any Project or any portion thereof for which the Subordinate Bonds are authorized to be issued.

Section 12.09 [Reserved.]

Section 12.10 Amendment to First Supplemental Subordinate Resolution. The First Supplemental Subordinate Resolution shall be hereby amended to delete the last two sentences of Section 3.02 of the First Supplemental Subordinate Resolution, as set forth below (deletions are marked with strikethrough):

~~“The City further acknowledges that all Other Obligations shall constitute payments described under Section 6.03(a)(3) of the Subordinate General Resolution.~~

~~The City agrees that with respect to any money obligations included in Other Obligations, for purposes of calculating compliance with Section 3.11 of the Subordinate General Resolution, such obligations will be treated as interest coming due in the year in which such obligations are first payable.”~~

Section 12.11 Effective Date. This Amended and Restated Subordinate General Resolution shall take effect from and upon its adoption.

ATTACHMENT B

[DAC Logo]

NEW ISSUES – BOOK-ENTRY ONLY SYSTEM

RATINGS:

S&P: “[]”

Fitch: “[]”

Kroll: “[]”

See “RATINGS” herein.

In the opinion of Nixon Peabody LLP, Bond Counsel to the City, under existing law and assuming compliance with the tax covenants described herein and the accuracy of certain representations and certifications made by the City described herein, interest on the Series 2022-A Subordinate Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that interest on the Series 2022-A Subordinate Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Interest on the Series 2022-B Subordinate Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Series 2022-A Subordinate Bonds and the Series 2022-B Subordinate 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.



\$[____]*
CITY OF LOS ANGELES
Wastewater System
Subordinate Revenue Bonds,
Series 2022-A (Green Bonds)

\$[____]†
CITY OF LOS ANGELES
Wastewater System
Subordinate Revenue Bonds,
Series 2022-B (Federally Taxable)

Dated: Date of Delivery

Due: June 1, as shown on the inside cover

The \$[____]* City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-A (Green Bonds) (the “Series 2022-A Subordinate Bonds”) and the \$[____]* City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-B (Federally Taxable) (the “Series 2022-B Subordinate Bonds”) and, together with the Series 2022-A Subordinate Bonds, the “Series 2022-AB Subordinate Bonds”) are being issued by the City of Los Angeles (the “City”) pursuant to the Charter of the City of Los Angeles (the “City Charter”) and Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”). The Series 2022-AB Subordinate Bonds are also issued pursuant to the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”), including as amended and supplemented by the Twenty-Seventh Supplemental Resolution, adopted by the City Council on [January 26], 2022.

The proceeds of the Series 2022-AB Subordinate Bonds, together with certain other amounts from the City, will be used to: (i) pay all or a portion of the Outstanding Wastewater System Commercial Paper Notes (defined herein) at their respective maturity dates; and (ii) pay certain costs of issuing the Series 2022-AB Subordinate Bonds. See “PLAN OF FINANCE” herein.

The pledge, assignment and lien on the Revenues (herein defined) granted pursuant to the Senior General Resolution (herein defined) to secure the Senior Lien Bonds (herein defined) issued and to be issued under the Senior General Resolution are, in all respects, prior to the pledge, assignment and lien on the Revenues granted pursuant to the Subordinate General Resolution, including the pledge, assignment and lien with respect to the Series 2022-AB Subordinate Bonds and other Subordinate Bonds issued and to be issued pursuant to the Subordinate General Resolution.

The Series 2022-AB Subordinate Bonds are special, limited obligations of the City payable solely from the Revenues, on a basis subordinate to the Senior Lien Bonds, and from amounts on deposit in the 2022-AB Subordinate Debt Service Fund created pursuant to the Subordinate General Resolution. The City is not obligated to make payments from any other source. The Series 2022-AB Subordinate Bonds are not payable from the General Fund of the City and are not a general obligation of the City, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of any amounts due on the Series 2022-AB Subordinate Bonds.

Interest on the Series 2022-AB Subordinate Bonds will be payable on June 1 and December 1, commencing on June 1, 2022. The Series 2022-AB Subordinate Bonds will be issued as fully-registered bonds, will mature in the principal amounts in each year (subject to prior redemption), and will bear interest at the respective rates per annum as set forth on the inside cover of this Official Statement. The Series 2022-AB Subordinate Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the Series 2022-AB Subordinate Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. So long as DTC or its nominee is the Owner of the Series 2022-AB Subordinate Bonds, payments of the principal of, redemption premium, if any, and interest on the Series 2022-AB Subordinate Bonds will be made as described in APPENDIX G – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

The Series 2022-AB Subordinate Bonds are subject to redemption prior to maturity, as described herein. See “Redemption of the Series 2022-AB Subordinate Bonds” herein.

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

Purchasers of the Series 2022-AB Subordinate Bonds will be deemed to have consented to certain amendments to the Subordinate General Resolution. See “FUTURE AMENDMENT OF SUBORDINATE GENERAL RESOLUTION AND SENIOR GENERAL RESOLUTION – Amendment of Subordinate General Resolution” herein.

The Series 2022-AB Subordinate Bonds are offered when, as and if issued, subject to the approval of legality by Nixon Peabody LLP, Bond Counsel to the City. Certain legal matters will be passed upon for the City by Kutak Rock LLP, Disclosure Counsel, and by Michael N.

* Preliminary, subject to change.

Feuer, City Attorney, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation. It is anticipated that the Series 2022-AB Subordinate Bonds will be available for delivery to DTC in New York, New York on or about [_____, 2022].

Morgan Stanley
Cabrera Capital Markets, LLC
Jefferies

Citigroup
Drexel Hamilton, LLC
Siebert Williams Shank & Co., LLC

Dated: _____, 2022

MATURITY SCHEDULES

\$[_____]***
CITY OF LOS ANGELES
Wastewater System
Subordinate Revenue Bonds
Series 2022-A (Green Bonds)

| Year (June 1) | Principal Amount | Interest Rate | Yield | Price[†] | CUSIP[†] (Base: _____) |
|-----------------------------------------------------------------------------|-----------------------------|--------------------------|--------------|--------------------------|--------------------------------------------|
| \$ _____ % Term Bonds due June 1, 20__; Yield ____%; Price ____; CUSIP No.† | | | | | |
| \$ _____ % Term Bonds due June 1, 20__; Yield ____%; Price ____; CUSIP No.† | | | | | |

* Preliminary, subject to change.

† Priced to call at par on June 1, 20__.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriters, or the Municipal Advisors, are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2022-AB Subordinate Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2022-AB Subordinate Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2022-AB Subordinate Bonds.

\$[_____]*

CITY OF LOS ANGELES
Wastewater System
Subordinate Revenue Bonds
Series 2022-B (Federally Taxable)

| Year (June 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP[†] (Base: _____) |
|--------------------------|-----------------------------|--------------------------|--------------|--------------|--------------------------------------------|
|--------------------------|-----------------------------|--------------------------|--------------|--------------|--------------------------------------------|

\$ _____ % Term Bonds due June 1, 20__; Yield __%; Price ____; CUSIP No.†

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriters, or the Municipal Advisor, are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2022-AB Subordinate Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2022-AB Subordinate Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2022-AB Subordinate Bonds.

No dealer, broker, salesperson or other person has been authorized by 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 representations must not be relied upon as having been authorized by 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 Series 2022-AB Subordinate 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 Series 2022-AB Subordinate 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 information set forth in this Official Statement has been obtained from the City and other sources which are believed by the City to be reliable. The Underwriters (as defined herein) have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their 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 and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the Series 2022-AB Subordinate Bonds, the Resolutions (as defined herein) and other documents summarized herein, are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions.

This Official Statement is submitted in connection with the issuance of the Series 2022-AB Subordinate Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2022-AB SUBORDINATE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2022-AB SUBORDINATE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

The City maintains a website at www.lacity.org. The information presented therein is not a part of this Official Statement, is not incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the Series 2022-AB Subordinate Bonds.

CITY OF LOS ANGELES

Mayor

[Eric Garcetti]

City Council

| | | |
|---------------------------------------|--------------------------------------------------------|----------------------------------------|
| 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 ¹ (<i>District 10</i>) | Joe Buscaino (<i>District 15</i>) |

CITY OFFICIALS

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

BOARD OF PUBLIC WORKS

Greg Good, President
Aura Garcia, Vice President
Jessica M. Caloza, Commissioner
Dr. Michael R. Davis, President Pro Tempore
M. Teresa Villegas, Commissioner

| | | | |
|----------------------------------------|-----------------------------|-----------------------------------|---------------------------------------------|
| <i>Bureau of Engineering</i> | <i>Bureau of Sanitation</i> | <i>Office of Accounting</i> | <i>Bureau of Contract Administration</i> |
| Gary Lee Moore, P.E., City Engineer | Barbara Romero, Director | Miguel A. De La Peña, Director | John L. Reamer Inspector of Public Works |

SPECIAL SERVICES

City Department Issuing Debt
City Administrative Officer of the City of Los Angeles
Debt Management Group

Bond Counsel
Nixon Peabody, LLP

Disclosure Counsel
Kutak Rock LLP

Paying Agent
Treasurer of the City of Los Angeles

Municipal Advisors

¹ Council Member Ridley-Thomas was suspended on October 20, 2021.

Public Resources Advisory Group
KNN Public Finance, LLC

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OFFICIAL STATEMENT

\$[_____] *
CITY OF LOS ANGELES
Wastewater System
Subordinate Revenue Bonds
Series 2022-A (Green Bonds)

\$[_____] *
CITY OF LOS ANGELES
Wastewater System
Subordinate Revenue Bonds
Series 2022-B (Federally Taxable)

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution, the City Charter and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Resolutions (defined herein).

General

The \$[_____] * City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-A (Green Bonds) (the “Series 2022-A Subordinate Bonds”) and \$[_____] * City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-B (Federally Taxable) (the “Series 2022-B Subordinate Bonds” and, together with the Series 2022-A Subordinate Bonds, the “Series 2022-AB Subordinate Bonds”) are being issued by the City of Los Angeles (the “City”) pursuant to the Charter of the City of Los Angeles (the “City Charter”), and Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”). The Series 2022-AB Subordinate Bonds are also issued pursuant to the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”), including as amended and supplemented by the Twenty-Seventh Supplemental Resolution, adopted by the City Council on [January 26], 2022 (the “Twenty-Seventh Supplemental Resolution”).

The proceeds of the Series 2022-AB Subordinate Bonds, together with certain other amounts from the City, will be used to: (i) pay all or a portion of the Outstanding Wastewater System Commercial Paper Notes (defined herein) at their respective maturity dates; and (ii) pay certain costs of issuing the Series 2022-AB Subordinate Bonds. See “PLAN OF FINANCE” herein.

Under the Wastewater System Revenue Bonds General Resolution, adopted by the City Council on November 10, 1987, as amended and supplemented (the “Senior General Resolution” and, together with the Subordinate General Resolution, the “Resolutions”), the City has previously issued multiple series of Senior Lien Bonds (the “Existing Senior Lien Bonds”). As of January 1, 2022, the City had \$971,695,000 aggregate principal amount of Existing Senior Lien Bonds Outstanding. Under the Subordinate General Resolution, the City has previously issued multiple series of Subordinate Bonds (the “Existing Subordinate Bonds”) that have a lien on Revenues (herein defined) subordinate to that of the

* Preliminary, subject to change.

Existing Senior Lien Bonds. As of January 1, 2022, the City had \$1,558,245,000 aggregate principal amount of Existing Subordinate Bonds Outstanding, excluding Wastewater System Commercial Paper Notes (defined herein) Outstanding. As described below under “PLAN OF FINANCE,” the City expects to issue its Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C (the “Series 2022-C Subordinate Bonds”), to current refund all or a portion of the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Series 2010-A, the outstanding City of Los Angeles Wastewater System Senior Revenue Bonds Series 2012-A, the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Series 2012-B and Series 2012-C, and the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding, Series 2018-C-1 and Series 2018-C-2. The Series 2022-C Subordinate Bonds will be on parity with the Series 2022-AB Subordinate Bonds.

Under the Subordinate General Resolution, the City has also authorized a maximum of \$400 million aggregate principal amount of Subordinate Bonds in the form of Wastewater System Commercial Paper Notes (the “Wastewater System Commercial Paper Notes”). The Wastewater System Commercial Paper Notes are currently supported by letters of credit (the “Letters of Credit”) issued by Barclays Bank PLC (“Barclays”) and The Toronto-Dominion Bank, acting through its New York Branch (“Toronto-Dominion”). The maximum amount of Wastewater System Commercial Paper Notes that may be Outstanding at any particular time under the existing Letters of Credit for the Wastewater System Commercial Paper Notes is \$400 million. As of [January 31, 2022], there was approximately \$[200] million in aggregate principal amount of Wastewater System Commercial Paper Notes Outstanding, all or a portion of which will be paid at their respective maturity dates from proceeds of the Series 2022-AB Subordinate Bonds. See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Outstanding Indebtedness” and “PLAN OF FINANCE” herein. Additional Senior Lien Bonds and Subordinate Bonds may be issued pursuant to the provisions of the Senior General Resolution and the Subordinate General Resolution, respectively, subject to satisfaction of the conditions precedent set forth therein. See “PLAN OF FINANCE” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022-AB SUBORDINATE BONDS – Additional Senior Lien Bonds” and “– Additional Subordinate Bonds” herein.

The System

The City owns and operates a wastewater system (“System”), which serves an approximately 600 square mile area with a population in excess of 4.5 million or approximately 45% of the population of Los Angeles County. The System has two distinct service areas: the Hyperion Service Area and Terminal Island Service Area (each as described herein). Total average daily flow during Fiscal Year 2020-21 was approximately 315 million gallons per day. In addition to serving most of the City, the System also provides wastewater conveyance, treatment and disposal services to 29 sanitation districts, cities, governmental entities and private businesses which adjoin the City. The System consists of more than 6,700 miles of sewers and interceptors, four water reclamation plants and various other facilities.

The SCM Fund; Senior Lien Bonds

The Existing Senior Lien Bonds, and any other bonds issued in the future under the Senior General Resolution (collectively, the “Senior Lien Bonds”) are secured by a pledge of and first lien on (i) Revenues; and (ii) all moneys and securities held in the Reserve Fund, the Debt Service Fund (except for amounts segregated for the payment of specific Senior Lien Bonds that have become due and payable or that have been called for redemption, which amounts are held in trust for such specific Senior Lien Bonds only), and the Construction Funds. “Revenues” generally consist of all revenues of the City’s Sewer Construction and Maintenance Fund (the “SCM Fund”) and revenues otherwise attributable to the System, and all earnings received from investments in the SCM Fund, the Debt Service Fund, the Reserve

Fund and the Emergency Fund, provided that Revenues shall not include any amount received from the levy or collection of taxes, amounts designated for capital costs received under contracts with contract agencies, moneys received as grants, earnings on the Construction Funds or the proceeds of borrowings or insurance.

Pursuant to the Senior General Resolution, Revenues in the SCM Fund are to be used on an ongoing basis to pay or provide for the ordinary and reasonable expenses of the operation and maintenance of the System including, without limitation, refunds and the reasonable expenses of management, repair and other expenses necessary to maintain and preserve the System in good repair and working order when such amounts become due in the ordinary course of business. On or before the twenty-fifth day of each month, the City is to transfer amounts from the SCM Fund to the Debt Service Fund, Reserve Fund, and Emergency Fund (all held under the Senior General Resolution for the Senior Lien Bonds), amounts sufficient to make the deposits therein required under the Senior General Resolution.

Security and Sources of Payment for the Series 2022-AB Subordinate Bonds

The Series 2022-AB Subordinate Bonds, the Existing Subordinate Bonds and any bonds issued in the future under the Subordinate General Resolution (collectively, the “Subordinate Bonds”) are secured by a pledge of and second lien on the Revenues, on a basis subordinate to the pledge of and lien on Revenues to the Senior Lien Bonds. The pledge, assignment and lien on the Revenues granted to secure the Senior Lien Bonds is, in all respects, prior to the pledge, assignment and lien granted by the Subordinate General Resolution for the benefit of the Subordinate Bonds. The Revenues, including Revenues held in the SCM Fund and the earnings on such Revenues, will be used first to pay the Senior Lien Bonds as the same become due, and to make current deposits into the funds held pursuant to the Senior General Resolution before such Revenues will be available for deposit into the funds and accounts held under the Subordinate General Resolution for the benefit of the Subordinate Bonds. The Series 2022-AB Subordinate Bonds are also secured by a pledge and lien on the 2022-AB Subordinate Debt Service Fund created pursuant to the Twenty-Seventh Supplemental Resolution. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022-AB SUBORDINATE BONDS” herein.

Limited Obligations

The Series 2022-AB Subordinate Bonds are special, limited obligations of the City payable solely from the Revenues, on a basis subordinate to the Senior Lien Bonds, and from amounts on deposit in the 2022-AB Subordinate Debt Service Fund created pursuant to the Subordinate General Resolution. The City is not obligated to make payment from any other source. The Series 2022-AB Subordinate Bonds are not payable from the General Fund of the City and are not a general obligation of the City, and neither the full faith and credit nor the taxing power of the City are pledged to the payment of any amounts due on the Series 2022-AB Subordinate Bonds.

Forward-Looking Statements

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,” “projected” 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 the City believes that such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will

prove to be correct. The City is not 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, do not occur, or change.

Miscellaneous

Copies of the resolutions and additional information may be obtained upon request from the Office of the City Administrative Officer by email to cao.debt@lacity.org. Certain capitalized terms used herein have the meanings ascribed to such terms in Appendix B – “GLOSSARY OF DEFINED TERMS” attached hereto. See also APPENDIX D – “GLOSSARY OF SYSTEM TERMS” attached hereto.

FUTURE AMENDMENT OF SUBORDINATE GENERAL RESOLUTION AND SENIOR GENERAL RESOLUTION

Amendment and Restatement of Subordinate General Resolution

The City is planning to amend and restate the Subordinate General Resolution to include several material amendments. Set forth in APPENDIX I – “PROPOSED CHANGES TO SUBORDINATE GENERAL RESOLUTION” (the “Amended and Restated Subordinate General Resolution”) is a marked copy of the Amended and Restated Subordinate General Resolution which shows the amendments and modifications that the City intends to make to the Subordinate General Resolution.

The Amended and Restated Subordinate General Resolution will effectuate several significant amendments to the Subordinate General Resolution, including:

- Amend Section 3.09 of the Subordinate General Resolution to provide that Average Annual Debt Service will be used to calculate the test for the issuance of additional Subordinate Bonds (as compared to Maximum Annual Debt Service, which is currently set forth in the Subordinate General Resolution); and
- Amend Section 6.03 of the Subordinate General Resolution to permit the City to use any monies in the SCM Fund to satisfy the Rate Covenant and to make other modifications.

There are other amendments to the Subordinate General Resolution contained within the Amended and Restated Subordinate General Resolution, which investors may consider to be significant. As such, investors are encouraged to read the entire Amended and Restated Subordinate General Resolution.

Under the Subordinate General Resolution, the Amended and Restated Subordinate General Resolution will not become effective until Bondholders owning 51% or more of the then-outstanding Subordinate Bonds have consented to such proposed amendments and the other requirements of the Subordinate General Resolution have been satisfied. The City is planning to effectuate these consents through a “springing consent” process, which means that the City will require the holders of each new Series of Subordinate Bonds that it issues, including the Series 2022-AB Subordinate Bonds and the Series 2022-C Subordinate Bonds, to be deemed to have consented to the Amended and Restated Subordinate General Resolution until the requisite consents have been obtained. After giving effect to the issuance of the Series 2022-AB Subordinate Bonds and the Series 2022-C Subordinate Bonds as contemplated in “PLAN OF FINANCE” herein, the City expects that it would have the consent to the Amended and Restated Subordinate General Resolution of approximately []% of the then-outstanding Subordinate Bonds.

By the purchase and acceptance of the Series 2022-AB Subordinate Bonds, the Bondholders and Beneficial Owners of the Series 2022-AB Subordinate Bonds will be deemed to have consented to the proposed amendments to the Subordinate General Resolution by their purchase of the Series 2022-AB Subordinate Bonds. After delivery of the Series 2022-AB Subordinate Bonds, the City will not be requesting separate written consent from the purchasers of the Series 2022-AB Subordinate Bonds for the Amended and Restated Subordinate General Resolution before adoption of the Amended and Restated Subordinate General Resolution.

The City has authorized a maximum of \$400,000,000 aggregate principal amount of Subordinate Bonds in the form of Wastewater System Commercial Paper Notes. Under the Subordinate General Resolution, the City may secure a portion of the consents from Bondholders of the Subordinate Bonds from the Bondholders of Wastewater System Commercial Paper Notes, which the City could also secure by requiring future Bondholders of Wastewater System Commercial Paper Notes to be deemed to consent to the Amended and Restated Subordinate General Resolution.

Amendment of Senior General Resolution

The City plans to amend and restate the Senior General Resolution to make amendments to the Senior General Resolution. Many of these amendments will be conforming amendments to mirror provisions shared by both the Senior General Resolution and the Subordinate General Resolution, including substantially the same changes to Sections 3.09 and 6.03 as described above. The City also plans to make additional amendments to provisions in the Senior General Resolution that are not mirrored in the Subordinate General Resolution, including (among others) the elimination of the Reserve Fund and the Emergency Fund with respect to both existing and future Senior Lien Bonds. The City also plans to secure consents from the holders of the Senior Lien Bonds on a “springing consent” basis by requiring holders of Senior Lien Bonds it issues in the future to be deemed to consent to those amendments. These amendments to the Senior General Resolution do not require the consent of Bondholders of the Subordinate Bonds (including the Series 2022-AB Subordinate Bonds or the Series 2022-C Subordinate Bonds). See APPENDIX J – “PROPOSED CHANGES TO SENIOR GENERAL RESOLUTION.”

PLAN OF FINANCE

Plan of Finance

The proceeds of the Series 2022-AB Subordinate Bonds, together with certain other amounts from the City, will be used to: (i) pay all or a portion of the Outstanding Wastewater System Commercial Paper Notes at their respective maturity dates; and (ii) pay certain costs of issuing the Series 2022-AB Subordinate Bonds.

The City intends to repay all or a portion of the Outstanding Wastewater System Commercial Paper Notes by depositing into the program account established by the City and the issuing and paying agent (the “CP Program Account”), a portion of the proceeds of the Series 2022-AB Subordinate Bonds which will be sufficient to pay principal of and interest on the Wastewater System Commercial Paper Notes as such Wastewater System Commercial Paper Notes mature on their respective maturity dates.

Substantially simultaneously with the issuance of the Series 2022-AB Subordinate Bonds, the City intends to issue its Series 2022-C Subordinate Bonds, the proceeds of which will be used to: (i) current refund all or a portion of the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Series 2010-A, the outstanding City of Los Angeles Wastewater System Senior Revenue Bonds Series 2012-A, the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Series 2012-B and Series 2012-C, and the outstanding City of Los Angeles Wastewater System

Subordinate Revenue Bonds Variable Rate Refunding, Series 2018-C-1 and Series 2018-C-2, and (ii) pay certain costs of issuing the Series 2022-C Subordinate Bonds. See “Financial Operations of the Wastewater System – Anticipated Financings” herein.

“Green Bond” Designation

The City has made a broad commitment to sustainability, using a collaborative approach to develop an integrated framework for managing the City’s watersheds, water resources, and water facilities in an environmentally, economically and socially beneficial manner, across City departments and regional agencies. The long-range planning is contained in the *One Water LA 2040 Plan* (which replaced the previously known *Integrated Resources Plan* and is now commonly referred to as *the Zero Wasted Water Plan*) (the “Plan”). The purpose of the Plan is to increase sustainable water management for the City to develop a vision and implementation strategy, to more sustainably and cost-effectively manage water and identify ways for City departments and regional agencies to integrate their water management strategies. The Bureau of Sanitation (as described herein under “ORGANIZATION AND MANAGEMENT OF THE SYSTEM – Bureau of Sanitation”) and the Department of Water and Power of the City of Los Angeles (“LADWP”) led the Plan’s development, partnering with other City departments, regional agencies, academia, the business community, and other stakeholders. Among the resources addressed were increased capture of stormwater, stormwater pollution abatement and expanded uses of recycled wastewater, which are addressed in a chapter of the Plan entitled the “Wastewater Facilities Plan.”

The Wastewater Facilities Plan provides recommendations for each water reclamation plant on how to best utilize the water reuse opportunities and provide environmental stewardship. Among the water reuse opportunities explored are stormwater pollution abatement, increased capture of stormwater, and expanded uses of recycled wastewater. The Wastewater Facilities Plan includes specific objectives for the System and water recycling opportunities, including (a) to implement, monitor, and maintain a reliable wastewater system that safely conveys, treats, and reuses wastewater while also reducing sewer overflows and odors, (b) to increase climate resilience by planning for climate change mitigation and adaptation strategies in all City actions, (c) to maximize reuse flows at the Hyperion Water Reclamation Plant (“HWRP”) and (d) to study climate risk mitigation and adaptation strategies for each of the City’s water reclamation plants and collection system. The Wastewater Facilities Plan informs the development of the Wastewater System Capital Improvement Program (the “CIP”), an ongoing, ten-year, capital expenditure program. The general objectives of the CIP are to meet federal and State requirements and City policy regarding water pollution control, to provide satisfactory levels of service to users of the System, and to maintain the integrity of the System.

The City has defined the capital improvements to be financed with the proceeds of the Series 2022-A Subordinate Bonds as “Green Projects” based on the environmental benefits of such capital improvements. See “PLAN OF FINANCE,” and “ESTIMATED SOURCES AND USES OF FUNDS.” Accordingly, the City is designating the Series 2022-A Subordinate Bonds as “Green Bonds.” The terms “Green Project” and “Green Bonds” are neither defined in nor related to provisions in the Senior General Resolution or the Subordinate General Resolution. Owners of the Series 2022-A Subordinate Bonds do not have any security other than as provided in the Subordinate General Resolution nor do such owners of the Green Bonds assume any specific project risk related to any of the projects funded thereby. The City assumes no obligation to ensure that those projects it has defined as Green Projects comply with any legal or other standards or principles that relate to Green Projects. The purpose of designating the Series 2022-A Subordinate Bonds as Green Bonds is to allow investors to invest directly in bonds which finance environmentally beneficial Green Projects.

Alignment with United Nations Sustainable Development Goals. The City believes that impacts from Green Projects financed by the City’s Green Bonds are aligned with several United Nations Sustainable Development Goals (“UN SDG”). By reference to the International Capital Market Association (“ICMA”) “Green and Social Bonds: A High-Level Mapping to the Sustainable Development Goals” (June 2019), the projects financed or refinanced by the Series 2022-A Subordinate Bonds primarily aim to address goals 6 (Clean Water and Sanitation), 9 (Industry, Innovation and Infrastructure), 11 (Sustainable Cities and Communities), 13 (Climate Action), and 14 (Life Below Water). These UN SDGs are also identified in the Sustainable City pLan’s (renamed L.A.’s Green New Deal in 2019) chapter titled Local Water.

As promulgated by the ICMA and most recently updated in June 2021, the “Green Bond Principles” have four core components (Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Green Bond Reporting), each of which are further described below.

Use of Proceeds. The particular capital improvements that the City has defined as Green Projects include wastewater system facilities which support the overall treatment objective of meeting the discharge standards in the City’s National Pollutant Discharge Elimination System (“NPDES”) permits under the federal Clean Water Act; wastewater conveyance and pumping facilities; water recycling projects; and air quality projects that support the construction and operation of the City’s wastewater system facilities.

The City’s existing wastewater facilities consist of four water reclamation plants and a conveyance system with more than 6,700 miles of mainline sewers. See “The Wastewater System.” Proceeds of the Series 2022-A Subordinate Bonds will be used to refinance portions of the CIP. As part of the overall CIP, the Green Projects include, but are not limited to, the following:

- *Sewer System Management Plan.* Projects surrounding controlling and mitigating sewer spills;
- *Hyperion Water Reclamation Plant.* Various projects including, but not limited to, construction of an advanced water purification facility, plant storm drain rerouting, odor control upgrades, tank upgrades and improvements, sludge thickening centrifuge replacement, and a pilot project for using membrane bioreactors, a treatment for producing recycled water;
- *Emergency sewer replacements* throughout the City;
- *Terminal Island Water Reclamation Plant.* Various projects including, but not limited to, water pump replacement, digester gas high pressure pipe replacement, and ammonia injection system; and
- *Large Diameter Sewer Rehabilitation.* Projects include relining of replacing entire sewer pipes, such as the North Outfall Sewer.

Process for Project Evaluation and Selection. The City’s wastewater operations are subject to regulatory requirements relating to the Federal Water Pollution Control Act, as amended (the “Clean Water Act”) as well as additional regulations set forth by US EPA, SWRCB, NPDES (each as herein defined) discharge permits, among others. See “Regulatory Requirements Affecting Operation of the System.” For current and future capital projects, the Bureau of Sanitation is responsible for final decisions relating to Wastewater Program costs and priorities. A Program Review Committee consisting of the Director, Assistant Directors, and Chief Financial Officer of the Bureau of Sanitation and the Wastewater Deputy City Engineer annually evaluates the CIP and the Plan and meets monthly to consider any changes affecting the scope, cost, schedule, and overall implementation of the program. See “Wastewater System Capital Improvement Plan – Current Major Projects of the Wastewater Capital Improvement Program.”

Management of Proceeds. The proceeds of the Series 2022-A Subordinate Bonds will be deposited into the Wastewater System CP Program Account to pay all or a portion of the Outstanding Wastewater System Commercial Paper Notes at their respective maturity dates. See “Estimated Sources and Uses of Funds” herein. The proceeds of the Wastewater System Commercial Paper Notes which are being repaid with proceeds of the Series 2022-A Subordinate Bonds were expended from April 29, 2020 to [January 31, 2022] on projects the City considers to be Green Projects.

Reporting. The City has filed annual updates regarding the use of the proceeds of previously-designated Green Bonds of the Wastewater System on the EMMA website at <http://www.emma.msrb.org> by December 31 after the end of each Fiscal Year, while proceeds remained unspent. Such information on this website is not incorporated herein by this reference. All of the proceeds of the Series 2022-A Subordinate Bonds will be expended upon the issuance thereof to repay Outstanding Wastewater System Commercial Paper Notes which were previously expended on capital improvements. As such, no further updates will be provided specific to such proceeds.

Prospective investors should review the information included in this Official Statement pertaining to the intended use of Series 2022-A Subordinate Bond proceeds and must determine for themselves the relevance of such information for the purpose of any investment in the Series 2022-A Subordinate Bonds, together with any other investigation the investor deems necessary. In particular, no assurance is given by the City, or any Underwriter that the use of such proceeds will satisfy, in whole or in part, any present or future investor expectations or requirements as to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulation, or by its own bylaws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental impact of any uses of proceeds of the Series 2022-A Subordinate Bonds.

It should be noted that there is currently no clearly defined definition (legal, regulatory, or otherwise) of, nor market consensus as to what constitutes, a “green” or equivalently labelled project or as to what precise attributes are required for a particular project to be defined as “green” or such other equivalent label. No assurance can be given that such a clear definition will develop over time, or that, if developed, it will include the projects to be financed or refinanced with proceeds of the Series 2022-A Subordinate Bonds. Accordingly, no assurance is or can be given to investors that any uses of the Series 2022-A Subordinate Bonds will meet investor expectations regarding such “green” or other equivalently labeled performance objectives or that any adverse environmental and or other impacts will not occur during the construction or operation of projects to be refinanced with Series 2022-A Subordinate Bond proceeds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2022-AB Subordinate Bonds, together with certain other amounts, are expected to be applied as set forth below:

| | Series 2022-A Subordinate Bonds | Series 2022-B Subordinate Bonds | Total |
|-----------------------------------------|------------------------------------------------|------------------------------------------------|--------------|
| Estimated Sources of Funds | | | |
| Principal Amount | | | |
| [Net Premium/Discount] | | | |
| Cash Deposit by the City ⁽¹⁾ | | | |
| Total | | | |
| Estimated Uses of Funds | | | |
| Deposit into Wastewater System | | | |
| CP Program Account | | | |
| Costs of Issuance ⁽²⁾ | | | |
| Total | | | |

⁽¹⁾ To pay accrued interest through the date of issuance of the Series 2022-AB Subordinate Bonds on the Outstanding Wastewater System Commercial Paper Notes being paid from proceeds of the Series 2022-AB Subordinate Bonds.

⁽²⁾ Includes underwriters' discount, municipal advisors' fees and expenses, rating agency fees, issuing and paying agent fees and expenses, bond counsel fees and expenses, disclosure counsel fees and expenses, printing costs and other miscellaneous expenses.

DESCRIPTION OF THE SERIES 2022-AB SUBORDINATE BONDS

The Series 2022-AB Subordinate Bonds will be dated and will bear interest from their date of delivery. Interest on the Series 2022-AB Subordinate Bonds will be payable semi-annually on June 1 and December 1, commencing on June 1, 2022. Interest will be calculated on the basis of a year of 360 days and twelve 30-day months. The Series 2022-AB Subordinate Bonds will be issuable as fully-registered bonds, will mature in the principal amounts in each year (subject to prior redemption – See “REDEMPTION OF THE SERIES 2022-AB SUBORDINATE BONDS” herein), and will bear interest at the respective rates per annum as set forth on the inside cover of this Official Statement.

The Series 2022-AB Subordinate Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2022-AB Subordinate Bonds. Ownership interests in the Series 2022-AB Subordinate Bonds may be purchased in book-entry form only. So long as DTC or its nominee is the Owner of the Series 2022-AB Subordinate Bonds, payments of the principal of, redemption premium, if any, and interest on the Series 2022-AB Subordinate Bonds will be made as described in APPENDIX G – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

REDEMPTION OF THE SERIES 2022-AB SUBORDINATE BONDS*

Optional Redemption

Optional Redemption of the Series 2022-A Subordinate Bonds. The Series 2022-A Subordinate Bonds maturing before June 1, 20__ are not subject to redemption before their stated maturities. The Series 2022-A Subordinate Bonds maturing on and after June 1, 20__ are subject to redemption, as a whole or in part as designated by the City, or, absent such designation, *pro rata* among maturities and by lot within any one maturity if less than all of the Series 2022-A Subordinate Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the City, on any date on or after June 1, 20__, at a redemption price equal to the principal amount of the Series 2022-A Subordinate Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Optional Redemption of Series 2022-B Subordinate Bonds. The Series 2022-B Subordinate Bonds maturing on and after June 1, 20__ are subject to redemption, as a whole or in part as designated by the City, or, absent such designation, *pro rata* among maturities and *pro rata* within any one maturity if less than all of the Series 2022-B Subordinate Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the City, on any date on or after June 1, 20__, at a redemption price equal to the principal amount of the Series 2022-B Subordinate Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Make-Whole Optional Redemption of Series 2022-B Subordinate Bonds. The Series 2022-B Subordinate Bonds are subject to redemption, in whole or in part, of such maturities designated by the City, prior to their respective maturity dates, on any business day before June 1, 20__, at the Make-Whole Redemption Price (defined below), plus accrued and unpaid interest up to, but not including, the redemption date, on the Series 2022-B Subordinate Bonds to be redeemed on the date fixed for redemption.

The “**Make-Whole Redemption Price**” is the greater of (i) 100% of the principal amount of the Series 2022-B Subordinate Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2022-B Subordinate Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2022-B Subordinate Bonds are to be redeemed, discounted to the date on which the Series 2022-B Subordinate Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus, with respect to the Series 2022-B Subordinate Bonds maturing on June 1, 20__ through June 1, 20__, inclusive, __ basis points, with respect to the Series 2022-B Subordinate Bonds maturing on June 1, 20__ through June 1, 20__, inclusive, __ basis points, with respect to the Series 2022-B Subordinate Bonds maturing on June 1, 20__ through June 1, 20__, inclusive, __ basis points, with respect to the Series 2022-B Subordinate Bonds maturing on June 1, 20__ through June 1, 20__, inclusive, __ basis points and with respect to the Series 2022-B Subordinate Bonds maturing on June 1, 20__ through June 1, 20__, inclusive, ____ basis points.

“**Treasury Rate**” means, as of any redemption date for a particular Series 2022-B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the

* Preliminary; subject to change.

redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2022-B Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At the request of the City, the Make-Whole Redemption Price of the Series 2022-B Subordinate Bonds to be redeemed shall be determined by an independent accounting firm, investment banking firm or financial advisor retained by City at the City's expense to calculate such Make-Whole Redemption Price. The City may conclusively rely on the determination of such Make-Whole Redemption price by such independent accounting firm, investment banking firm or financial advisor and shall not be liable for such reliance.

Mandatory Sinking Fund Redemption

Mandatory Sinking Fund Redemption of Series 2022-A Subordinate Bonds. The Series 2022-A Subordinate Bonds with a stated maturity date of June 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, commencing on June 1, 20__, and on each June 1 thereafter until maturity, in accordance with the terms of the following mandatory sinking fund redemption schedule (subject to adjustment in the event of an optional redemption of the Series 2022-A Subordinate Bonds, as provided in the Twenty-Seventh Supplemental Resolution):

Series 2022-A Term Bonds Maturing June 1, 20__

| Redemption Date (June 1) | Principal Amount |
|-------------------------------------|-------------------------|
| <hr/> | <hr/> |

(maturity)

Mandatory Sinking Fund Redemption of Series 2022-B Subordinate Bonds. The Series 2022-B Subordinate Bonds with a stated maturity date of June 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, commencing on June 1, 20__, and on each June 1 thereafter until maturity, in accordance with the terms of the following mandatory sinking fund redemption schedule (subject to adjustment in the event of an optional redemption of the Series 2022-B Subordinate Bonds, as provided in the Twenty-Seventh Supplemental Resolution):

Series 2022-B Term Bonds Maturing June 1, 20__

| Redemption Date (June 1) | Principal Amount |
|-------------------------------------|-------------------------|
|-------------------------------------|-------------------------|

(maturity)

Selection of Series 2022-AB Subordinate Bonds for Redemption

The Series 2022-A Subordinate Bonds that are subject to optional redemption will be selected among such maturities as the City may designate, or, absent such designation, shall be redeemed *pro rata* among maturities. In the event of an optional redemption of less than the full amount of a maturity of the Series 2022-A Subordinate Bonds, such Series 2022-A Subordinate Bonds shall be redeemed by lot within any one maturity in a manner the City shall deem appropriate.

The Series 2022-B Subordinate that are subject to optional redemption will be selected among such maturities as the City may designate, or, absent such designation, shall be redeemed *pro rata* among maturities. In the event of an optional redemption of less than the full amount of a maturity of the Series 2022-B Subordinate Bonds, such Series 2022-B Subordinate Bonds shall be redeemed *pro rata* within any one maturity in a manner the City shall deem appropriate.

If the Series 2022-B Subordinate Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Series 2022-B Subordinate Bonds shall be effected by the City or the Paying Agent among owners on a *pro rata* basis in the principal amount of \$5,000 or any integral multiple thereof. The particular Series 2022-B Subordinate Bonds to be redeemed shall be determined by the City or the Paying Agent, using such method as the City or the Paying Agent shall deem appropriate.

If the Series 2022-B Subordinate Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2022-B Subordinate Bonds, if less than all of the Series 2022-B Subordinate Bonds or a maturity are called for prior redemption, the particular Series 2022-B Subordinate Bonds or portions thereof to be redeemed shall be selected on a “Pro Rata Pass-Through Distribution of Principal” basis in accordance with DTC procedures, provided that, so long as the Series 2022-B Subordinate Bonds are held in book-entry only form, the selection for redemption of such Series 2022-B Subordinate Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the City or the Paying Agent pursuant to DTC operational arrangements. If the City or the Paying Agent do not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the Series 2022-B Subordinate Bonds will be selected for redemption in accordance with DTC procedures by lot.

It is the City’s intent with respect to the Series 2022-B Subordinate Bonds that redemption allocations be made by DTC, the DTC Participants or such other intermediaries that may exist between the City and the Beneficial Owners be made on a “Pro Rata Pass-Through Distribution of Principal” basis as described above. However, the City can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemption among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the Series 2022-B Subordinate Bonds on a

Pro Rata Pass-Through Distribution of Principal basis as discussed above, then the Series 2022-B Subordinate Bonds will be selected for redemption in accordance with DTC procedures by lot.

Notice of Redemption of Series 2022-AB Subordinate Bonds

At least 20 days and no more than 60 days before each date of redemption, the City will give notice by Mail or by telecopy or other electronic means of communication to each registered owner of a Series 2022-AB Subordinate Bond to be redeemed at the owner's registered address. So long as DTC is the registered owner of Series 2022-AB Subordinate Bonds to be redeemed, notice of redemption shall be sent to DTC. Failure to give any required notice of redemption will not affect the validity of the call for redemption of any Series 2022-AB Subordinate Bond in respect of which no failure occurs.

The notice of redemption will (i) specify the Series 2022-AB Subordinate Bonds to be redeemed, the redemption date, the redemption prices and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2022-AB Subordinate Bonds of a Series are to be redeemed, the numbers of the Series 2022-AB Subordinate Bonds, and the portions of Series 2022-AB Subordinate Bonds, to be redeemed; (ii) state any condition to such redemption; and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Series 2022-AB Subordinate Bonds to be redeemed shall cease to bear interest. Such notice of redemption will further contain the following information: (i) the CUSIP numbers of all Series 2022-AB Subordinate Bonds or portions thereof being redeemed; (ii) the date of original issuance of the Series 2022-AB Subordinate Bonds; (iii) the rate of interest borne by the Series 2022-AB Subordinate Bonds being redeemed; (iv) the maturity date of the Series 2022-AB Subordinate Bonds being redeemed; (v) the redemption price or, if applicable, a description of the mechanism or method for determining the redemption price; and (vi) any other descriptive information to identify accurately the Series 2022-AB Subordinate Bonds or portions thereof being redeemed.

Any notice of redemption may be conditional, other than notice of redemption from mandatory sinking fund payments, and may be rescinded by written notice given by the City. Upon such rescission, the City shall give notice of such rescission in the same manner, and to the same persons, as notice of such redemption was given. Any optional redemption of the Series 2022-AB Subordinate Bonds and notice thereof will be rescinded and cancelled if for any reason on the date fixed for redemption moneys are not available and held in trust for such purpose in an amount sufficient to pay in full on such date the principal of, interest, and any premium due on such Series 2022-AB Subordinate Bonds called for redemption.

Effect of Redemption of Series 2022-AB Subordinate Bonds

On the date designated for redemption, notice having been given in the manner and under the conditions provided in the Subordinate General Resolution and moneys for payment of the redemption price being held in trust to pay the redemption price, the Series 2022-AB Subordinate Bonds called for redemption shall become due and payable, interest on such Series 2022-AB Subordinate Bonds shall cease to accrue, such Series 2022-AB Subordinate Bonds shall cease to be entitled to any lien, benefit or security under the Subordinate General Resolution and the owners of such Series 2022-AB Subordinate Bonds shall have no rights in respect thereof except to receive payment of the redemption price.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022-AB SUBORDINATE BONDS

Sources of Payment

All Revenues received by the City from the ownership and operation of the System (less billing and collection fees paid to LADWP are deposited, after collection, into the SCM Fund held by the City Treasurer. The SCM Fund has been operated as a special fund of the City since it was created by an ordinance adopted by the City Council in 1970. For the City's internal purposes, the City has also created a Sewer Operation and Maintenance Fund and a Sewer Capital Fund into which amounts from the Sewer Construction and Maintenance Fund are transferred, and the City may create other funds into which Revenues are deposited or held. All of such funds are collectively referred to as the "SCM Fund," and amounts in all of such funds will be held and used as the SCM Fund. All expenditures related to the construction, operation, maintenance and repair of the System are accounted for in the SCM Fund. Audited financial statements of the SCM Fund for the Fiscal Years ended June 30, 2021 and 2020 are attached as Appendix E hereto. The City is required to prepare annually audited financial statements of the SCM Fund.

"**Revenues**" means all revenues of the SCM Fund and revenues otherwise attributable to the System, including, but not limited to, those revenues currently arising as a result of the imposition of sewer service charges, industrial waste surcharge and inspection fees, sewage disposal contract charges, sewerage facility charges and bonded sewer fees and all other income and receipts derived by the City from the ownership or operation of the System or arising from the System and including amounts attributable to extensions, additions and improvements to the System and all other amounts received by the City in payment for providing wastewater collection, treatment and/or disposal services; and all earnings received from the investment of the SCM Fund, the Debt Service Fund (as defined in the Senior General Resolution), the Reserve Fund (as defined in the Senior General Resolution) and the Emergency Fund (as defined in the Senior General Resolution); and all earnings received on the Debt Service Funds and, if any, Reserve Funds created under the Subordinate General Resolution, provided, however, that Revenues do not include:

- (i) any amount received from the levy or collection of taxes (if any time such taxes are levied and collected);
- (ii) amounts received under contracts or agreements with governmental or private entities and designated for capital costs;
- (iii) grants received from the United States of America or from the State of California or other political bodies;
- (iv) earnings on the Construction Funds (as defined in the Senior General Resolution and the Subordinate General Resolution);
- (v) the proceeds of borrowings; and
- (vi) proceeds of insurance.

Subordinate Pledge of Revenues

To secure the payment of all Subordinate Bonds issued pursuant to the terms of the Subordinate General Resolution, the City has pledged, placed a second lien upon and assigned to the Owners of the

Subordinate Bonds (1) the Revenues and (2) the Revenues held in the SCM Fund including the earnings on such Revenues. The City has previously pledged and assigned the Revenues and granted a lien upon the Revenues to secure all Senior Lien Bonds, whenever issued, including Senior Lien Bonds issued subsequent to the issuance of Subordinate Bonds (including the Series 2022-AB Subordinate Bonds). The pledge, assignment and lien on the Revenues granted to secure the Senior Lien Bonds is, in all respects, prior to the pledge, assignment and lien granted by the Subordinate General Resolution. The Revenues, including Revenues held in the SCM Fund and the earnings on such Revenues, will be used first to pay the Senior Lien Bonds as the same become due and make current deposits into the funds held pursuant to the Senior General Resolution before such Revenues will be available to pay Subordinate Bonds. This pledge of and lien upon the Revenues will be for the equal and proportionate benefit and security of all Subordinate Bonds issued under the terms of the Subordinate General Resolution, all of which, regardless of the time or times of their authentication and delivery or maturity, will be of equal rank without preference, priority or distinction as to lien or otherwise. The pledge and lien granted by the Subordinate General Resolution will remain effective for so long as any Subordinate Bonds are Outstanding thereunder. Amounts in the Debt Service Fund and Construction Fund established for any Series of the Subordinate Bonds are pledged to secure such Subordinate Bonds in accordance with the terms of the applicable Supplemental Resolution.

In the Subordinate General Resolution, the City represents and states that except for the pledge granted to secure the Senior Lien Bonds, the City has not previously pledged the Revenues or the SCM Fund nor created any lien thereon, and the City covenants that, until all the Subordinate Bonds issued under the provisions of the Subordinate General Resolution and the interest thereon will have been paid or are deemed to have been paid, it will not, except to the extent additional Senior Lien Bonds are issued under the terms of the Senior General Resolution, grant any prior or parity pledge of Revenues or the SCM Fund, or create or permit to be created any charge or lien on the Revenues ranking prior to or on a parity with the charge and lien which secures the Subordinate Bonds issued pursuant to the Subordinate General Resolution. The City will not, by the provisions of the Subordinate General Resolution, be restricted or limited in its ability to issue additional Senior Lien Bonds, all of which will rank prior to the Subordinate Bonds with respect to the pledge of, lien on and assignment of the Revenues. The City may create or permit to be created a charge or lien on the Revenues ranking junior and subordinate to the charge and lien which secures the Subordinate Bonds issued pursuant to the Subordinate General Resolution.

No Reserve for Subordinate Bonds

No reserve is established for the Subordinate Bonds, including the Series 2022-AB Subordinate Bonds. Under the terms of the Senior General Resolution, a Reserve Fund is required to be created and funded in an amount equal to Maximum Annual Debt Service on all Senior Lien Bonds issued and Outstanding under the Senior General Resolution. Moneys held in the Reserve Fund may not be used to pay the principal of, premium, if any, and interest on the Series 2022-AB Subordinate Bonds.

No Pledge of Refundable Credits

The City previously issued \$177,420,000 aggregate principal amount of Wastewater System Revenue Bonds, Series 2010-A (the “Series 2010-A Senior Lien Bonds”) and designated such bonds as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009. The City previously issued \$89,600,000 aggregate principal amount of Wastewater System Revenue Bonds Series 2010-B (the “Series 2010-B Senior Lien Bonds”) and designated such bonds as “Recovery Zone Economic Development Bonds” (together with the Build America Bonds, the “Direct Subsidy Bonds”) under the provisions of the American Recovery and Reinvestment Act of 2009. Prior to March 1, 2013, the City received periodic payments (“Refundable Credits”) from the United States Treasury equal

to 35% of the interest payable on the Series 2010-A Senior Lien Bonds and periodic Refundable Credits from the United States Treasury equal to 45% of the interest payable on the Series 2010-B Senior Lien Bonds. As a result of the Sequester (herein defined) described under “RISK FACTORS – Effect of Federal Sequestration on Refundable Credits,” the City expects to receive an estimated \$335,810 reduction in Refundable Credits in connection with the Series 2010-A Senior Lien Bonds and the Series 2010-B Senior Lien Bonds for the current federal fiscal year ending September 30, 2022. Until further action is taken by the United States Congress, Sequestration will continue and there could be additional reductions for future years.

The Refundable Credits constitute amounts payable by the Federal government under Section 6431 of the Code, and which, in the case of the Series 2010-A Senior Lien Bonds, the City has elected to receive under Section 54AA(g)(1) of the Code. All of the Refundable Credits received by the City are to be deposited upon receipt into the debt service account established with respect to the Series 2010-A Senior Lien Bonds and the Series 2010-B Senior Lien Bonds to which they relate, and are pledged to the payment of the Series 2010-A Senior Lien Bonds and the Series 2010-B Senior Lien Bonds only. The Refundable Credits are not pledged to the payment of the Series 2022-AB Subordinate Bonds. On April 19, 2017, the City amended each of the Resolutions to provide for an offset to the debt service on the Direct Subsidy Bonds, and a corresponding offset to Revenues in the amount of the Refundable Credits. See “– Amendment to the Resolutions Relating to the Refundable Credits” and “RISK FACTORS – Effect of Federal Sequestration on Refundable Credits” herein.

Subordinate Bonds Rate Covenant

The City covenants in the Subordinate General Resolution that it will at all times while any Subordinate Bonds remain Outstanding, establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System so that Revenues for each Fiscal Year will be at least sufficient to pay the following amounts: (1) the interest on and principal of the Outstanding Senior Lien Bonds and Subordinate Bonds as they become due and payable; (2) all other payments required for compliance with the terms of the Senior General Resolution and the Subordinate General Resolution and of any Supplemental Resolutions issued thereunder; (3) all other payments to meet any other obligations of the City which are charges, liens, or encumbrances upon, or payable from, the Revenues; and (4) all current operation and maintenance costs of the System (but not including such operation and maintenance costs as are scheduled to be paid by the City from moneys other than Revenues, such moneys to be clearly available for such purpose). The City further agrees that it will establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System so that during each Fiscal Year the Net Revenues are equal to at least 110% of the actual debt service becoming due on Outstanding Senior Lien Bonds and Subordinate Bonds in such year provided that for such purposes, the principal amount of Senior Lien Bonds and Subordinate Bonds becoming due in such year which is paid from the proceeds of other borrowings shall not be included as debt service becoming due in such year.

For the purpose of calculating actual debt service coming due on Outstanding Senior Lien Bonds and Subordinate Bonds, in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Senior Lien Bonds or Subordinate Bonds that were issued as Direct Subsidy Bonds, such amount shall be reduced by an amount equal to the Refundable Credits the City is scheduled to receive during each such twelve-month period ending June 30 (and to avoid double counting, an equivalent amount shall be deducted from Revenues for the purpose of such calculation).

The City is proposing to make substantial amendments to the Subordinate General Resolution including significant amendments to the Subordinate Bonds Rate Covenant. Any Bondholders and Beneficial Owners of the Series 2022-AB Subordinate Bonds will be deemed to have consented to these amendments. See “FUTURE AMENDMENT OF SUBORDINATE GENERAL RESOLUTION AND SENIOR GENERAL RESOLUTION.”

Additional Subordinate Bonds

As a condition to the issuance of any additional Subordinate Bonds, the City will first be required to obtain a certificate or certificates prepared by a Consultant or by Consultants showing that the Net Revenues for the immediately preceding Fiscal Year or for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of the proposed Subordinate Bonds were at least equal to 110% of the Maximum Annual Debt Service for all Senior Lien Bonds and Subordinate Bonds which will be Outstanding immediately after issuance of the proposed Subordinate Bonds. For purposes of preparing the certificate or certificates described above, the Consultant or Consultants may rely upon financial statements prepared by the City that have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available.

For purposes of the computations to be made as described in the preceding paragraph, the determination of Net Revenues may take into account any increases in rates and charges which relate to the System and will take into account any reductions in such rates and charges, which increases or decreases have been authorized by the City to be implemented and which will be effective prior to or at the time of issuance of such proposed Subordinate Bonds.

Except as described in the last sentence of this paragraph, the certificate or certificates described above will not be required if the Subordinate Bonds being issued are for purposes of refunding the Outstanding Senior Lien Bonds or Subordinate Bonds, and if at the time of the issuance of such Subordinate Bonds, a certificate of an Authorized City Representative will be delivered showing that Maximum Annual Debt Service on all Senior Lien Bonds and Subordinate Bonds Outstanding after the issuance of the refunding Subordinate Bonds will not exceed Maximum Annual Debt Service on all Senior Lien Bonds and Subordinate Bonds Outstanding prior to the issuance of such Subordinate Bonds. The exception provided by this paragraph will not apply with respect to Subordinate Bonds not constituting part of a Commercial Paper Program issued to refund Subordinate Bonds constituting part of a Commercial Paper Program unless the authorized principal amount of the Commercial Paper Program is reduced by an amount equal to the Subordinate Bonds refunded.

If any of the Outstanding Series of Subordinate Bonds or Senior Lien Bonds constitutes Variable Rate Indebtedness, or if Subordinate Bonds proposed to be issued would constitute Variable Rate Indebtedness for purposes of the Subordinate General Resolution only (except as otherwise provided in the Subordinate General Resolution), such Subordinate Bonds or Senior Lien Bonds will be assumed to bear interest at the rate quoted in *The Bond Buyer Revenue Bond Index* for the last week of the month preceding the date of calculation of Maximum Annual Debt Service, as published in *The Bond Buyer*, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the then Outstanding Subordinate Bonds or Senior Lien Bonds for which the interest rate is to be assumed or having an equivalent maturity as the additional Subordinate Bonds proposed to be issued, or if there are no such Treasury bonds having equivalent maturities, 100% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States ranked by assets.

The City is proposing to make substantial amendments to the Subordinate General Resolution including significant amendments to the provisions relating to the issuance of additional Subordinate Bonds. Any Bondholders and Beneficial Owners of the Series 2022-AB Subordinate Bonds will be deemed to have consented to these amendments. See “FUTURE AMENDMENT OF SUBORDINATE GENERAL RESOLUTION AND SENIOR GENERAL RESOLUTION.”

Additional Senior Lien Bonds

In addition to the Existing Senior Lien Bonds, the City may authorize one or more other series of Additional Senior Lien Bonds which are secured by the pledge of Revenues made under the Senior General Resolution equally and ratably with Senior Lien Bonds previously issued. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS” attached hereto.

Flow of Funds Under the Senior General Resolution and the Subordinate General Resolution

The SCM Fund. The City has agreed under the Senior General Resolution that so long as any Bonds remain Outstanding it will continue to maintain the SCM Fund or another special fund or special funds into which all Revenues will be deposited and any and all such funds into which Revenues are deposited by the City shall be maintained and the amounts therein held and used as provided in the Senior General Resolution.

Pursuant to the Senior General Resolution, the City has agreed that it will deposit all Revenues (except the earnings on the Debt Service Fund (as defined in the Senior General Resolution) created and held under the Senior General Resolution and the Reserve Fund (as defined in the Senior General Resolution) created and held under the Senior General Resolution for which the special provision is made in the Senior General Resolution and except for the earnings on funds created and held under Supplemental Resolutions for which special provision may be made) as collected, into the SCM Fund. All Revenues in the SCM Fund shall be held by the City in trust and applied as provided in the Senior General Resolution, and pending such application, such amounts shall be subject to a lien and charge in favor of the Holders of the Bonds issued and Outstanding under the Senior General Resolution.

Payment of Operation and Maintenance Expenses. Prior to making deposits into the Debt Service Fund, Reserve Fund or Emergency Fund, Revenues on deposit to the credit of the SCM Fund will be used to pay or provide for the ordinary and reasonable expenses of the operation and maintenance of the System when such amounts become due in the ordinary course of business, including, without limitation, refunds, the reasonable expenses of management, and repair and other expenses necessary to maintain and preserve the System in good repair and working order.

Deposits to the Debt Service Fund, Reserve Fund and Emergency Fund Under the Senior General Resolution. On or before the twenty-fifth day of each month, the City must withdraw from the SCM Fund an amount sufficient to make the deposits described in (a), (b) and (c) below and to deposit such amount to the credit of the following funds and in the priority listed. If in any month available moneys are insufficient to make all of such deposits, moneys will be deposited first to the Debt Service Fund and, thereafter, to the Reserve Fund and, thereafter, to the Emergency Fund. Deposits from the SCM Fund are required to be made as follows:

(a) to the credit of the Debt Service Fund, an amount equal to the Aggregate Accrued Interest and Aggregate Accrued Principal for the current calendar month, less any Excess in the fund on the first day of the month, plus any Deficiency existing on the first day of such calendar month, plus any amount of interest or principal on Senior Lien Bonds which has become due and has not been paid and for which there are insufficient funds in the Debt Service Fund or another special fund or account to be used to make such payment;

(b) to the credit of the Reserve Fund, the following amounts, if any: (i) if, as of the most recent valuation of the Reserve Fund, the value thereof was less than the Reserve Fund Requirement and the amount of such deficiency has not previously been restored, then commencing with the first month of the first Fiscal Year following such valuation and continuing until such deficiency has been eliminated

(which may be by subsequent valuation), one-twelfth of the difference between the Reserve Fund Requirement and the value of the Reserve Fund on such valuation date, plus (ii) if any amount has been withdrawn from the Reserve Fund during the preceding 12 months to prevent a default on the Bonds or to make a deposit into the Rebate Fund and the Reserve Fund has not subsequently been restored to the Reserve Fund Requirement, an amount equal to one-twelfth of the amount so withdrawn, plus (iii) if any Bonds have been issued during the preceding 12 months and, at the time of such issuance, the City did not deposit into the Reserve Fund the full amount necessary to increase the amount in the Reserve Fund to the Reserve Fund Requirement and the amount of such deficiency has not previously been deposited into the Reserve Fund, an amount equal to one-twelfth of the difference between the Reserve Fund Requirement due upon the issuance of such series of Bonds and the amount deposited into the Reserve Fund at the time of issuance; and

(c) to the credit of the Emergency Fund, the following amounts, if any: (i) if, as of the most recent valuation of the Emergency Fund, the value thereof was less than the Emergency Fund Requirement and the amount of such deficiency has not previously been restored then commencing with the first month of the first Fiscal Year following such valuation and continuing until such deficiency has been eliminated (which may be by subsequent valuation), one-twelfth of the difference between the Emergency Fund Requirement and the value of the Emergency Fund on such valuation date, plus (ii) if any amount has been withdrawn from the Emergency Fund during the preceding 12 months to pay expenses arising from an emergency or a liability claim and the Emergency Fund has not subsequently been restored to the Emergency Fund Requirement, one-twelfth of the amount so withdrawn.

Deposit of Revenues to Funds and Accounts Under the Subordinate General Resolution. So long as the requirements set forth below are met, the City may, at any time, as provided by Supplemental Resolution, withdraw amounts from the SCM Fund to make deposits to the debt service funds and reserve funds created under Supplemental Resolutions or otherwise to make payments or provide for payments on Subordinate Bonds. The foregoing provisions are, however, restricted to the extent that no amount will be withdrawn from the SCM Fund to make deposits to funds created under Supplemental Resolutions or otherwise make payments or provide for payments on Subordinate Bonds unless:

- (a) all operation and maintenance expenses are being or have been paid as they become due;
- (b) the monthly deposits to be made into the Debt Service Fund, the Reserve Fund and the Emergency Fund (each such fund as defined in and held under the Senior General Resolution) for all prior months have been made in full and no deficiency exists with respect to the Debt Service Fund under the Senior General Resolution;
- (c) the amounts which are or will be required to be deposited into the Debt Service Fund, the Reserve Fund and the Emergency Fund (each as defined in the Senior General Resolution) and held under the Senior General Resolution during the then current calendar month have been deposited into such funds or such amounts are segregated within the SCM Fund to be used to make such deposits prior to the withdrawal or use of funds for the purpose of paying or providing for the payment of Subordinate Bonds; and
- (d) after any such withdrawal or segregation as provided in (c) above and after the withdrawal for the purpose of paying or providing for the payment of Subordinate Bonds, there will remain in the SCM Fund an amount at least equal to the amount reasonably estimated by the City to be needed to provide for the System's operation and maintenance expenses during the next 45 days.

So long as the conditions (a), (b), (c), and (d) above are met, then the City may at any time and, subject to the conditions set forth above, shall, as required by Supplemental Resolutions, withdraw from

the SCM Fund such amounts as are needed to pay debt service on Subordinate Bonds and fulfill other funding requirements contained in Supplemental Resolutions under which Subordinate Bonds have been issued.

Moneys Remaining in the SCM Fund. In addition to paying operation and maintenance expenses and making the deposits to the Debt Service Fund, Reserve Fund and Emergency Fund, amounts in the SCM Fund may, from time to time, be used to pay capital expenses of the System or may be used for any other lawful purpose related to the System, but if and only if all of the following conditions are met prior to any such withdrawal:

- (a) all operation and maintenance expenses are being or have been paid as they become due;
- (b) the monthly deposits to be made pursuant to certain provisions of the Senior General Resolution for all prior months have been made in full and no Deficiency (as defined in the Senior General Resolution) exists with respect to the Debt Service Fund as defined in and created under the Senior General Resolution; and all payments to be made to pay or provide for payment of Subordinate Bonds under the terms of Supplemental Resolutions which payments have become due have been paid in full and no deficiency then exists in any Debt Service Fund or Reserve Fund;
- (c) the amounts which are or will be required to be deposited pursuant to certain provisions of the Senior General Resolution during the then current calendar month are deposited as provided in the Senior General Resolution or such amounts are segregated within the SCM Fund to be used to make such deposits prior to the withdrawal or use of funds for other purposes under this paragraph; and all amounts to be paid on the Subordinate Bonds or otherwise required under the terms of Supplemental Resolutions to be deposited to provide for the payment of Subordinate Bonds during the then current calendar month have been paid or deposited or such amounts (which may be an estimated amount deemed appropriate by the City) are segregated within the SCM Fund to be used to make such deposits prior to the withdrawal or use of funds for other purposes under this paragraph; and
- (d) after such withdrawal, there will remain in the SCM Fund an amount at least equal to the amount reasonably estimated by the City to be needed to provide for the System's operation and maintenance expenses during the next 45 days.

Any amounts in the SCM Fund which are not Revenues may be used or withdrawn at any time and without restriction and such amounts may be withdrawn without regard to the requirements of the preceding paragraph, it being the intent of the Senior General Resolution and the Subordinate General Resolution, that the various funds described in the Senior General Resolution and the Subordinate General Resolution, respectively, and the balances required to be maintained in the SCM Fund are to be maintained from the Revenues.

Books and Accounts

The City prepares annual financial statements of the SCM Fund in accordance with generally accepted accounting principles which are audited by an independent certified public accountant. See APPENDIX E – “CITY OF LOS ANGELES SEWER CONSTRUCTION AND MAINTENANCE FUND FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020 (WITH INDEPENDENT AUDITOR'S REPORT THEREON) AND DEBT SERVICE COMPLIANCE REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (WITH INDEPENDENT AUDITOR'S REPORT THEREON)” attached hereto.

The City is also required to prepare and adopt a budget for the SCM Fund annually prior to the beginning of the Fiscal Year and a five-year capital plan or capital budget setting forth in reasonable detail the amount expected to be expended in each year for capital needs of the System and the purposes for which such amounts are expected to be expended.

Operation and Maintenance of the System

The City covenants that it will maintain and preserve the System in good repair and working order, in conformity with standards customarily followed for municipal wastewater systems of like size and character. The City also covenants that it will from time to time make all necessary and proper repairs, renewals, replacements and substitutions to the properties of the System, so that at all times business carried on in connection with the System will and can be properly and advantageously conducted in an efficient manner and at reasonable cost.

Insurance and Condemnation

The City agrees that it will maintain commercial insurance or provide a self-insurance reserve against loss or damage to the System from fire, storm or other causes to the extent that such insurance or reserves are customary for sewer systems in metropolitan areas. However, the City is not required to maintain insurance against earthquake damage if it determines that earthquake insurance is not available on the open market, from reputable companies at a reasonable price. The City does not currently maintain earthquake insurance on the System and does not anticipate obtaining such coverage in the future. The City is not required to maintain liability insurance or self-insurance reserves in lieu of liability insurance in any period for which the City agrees to hold the SCM Fund harmless from all general, automobile, and public liability claims filed during such period.

The City carries all risk property coverage for the System with limits of \$1 billion for damage to real and personal property, excluding damage caused by earthquake and flood. The policy includes coverage with respect to the System with an equipment breakdown limit of \$1 billion (policy limit) for loss to boiler and machinery, excluding damage caused by earthquake and flood. The policy also includes terrorism coverage with respect to the System with a sublimit of \$200 million for certified acts of terrorism, and business interruption insurance with a sublimit of \$5 million per occurrence per location for each of the System's wastewater reclamation facilities. The deductible for this policy is \$1 million which, if applicable, would be paid from Revenues.

The Senior General Resolution provides that the proceeds of any property damage insurance will be applied to the restoration, replacement or reconstruction of the property or facility lost or damaged, unless the City determines that such property or facility is not necessary to the efficient or proper operation of the System and therefore determines not to restore, replace or reconstruct such property or facilities. Any proceeds of such insurance not applied to restoration, replacement or reconstruction or remaining after such work is completed will be deposited in the SCM Fund and be available for other proper uses of funds deposited in the SCM Fund. Proceeds of any liability insurance will be applied by the City in satisfaction of the applicable claim. If the City has elected to self-insure its property damage risks, then, unless the City determines not to restore, replace or reconstruct such property or facilities, amounts in the self-insurance fund will be withdrawn and used to restore, replace or reconstruct the property or facility lost or damaged as a result of a casualty for which such fund was created. If the City has elected to self-insure its liability risk, then amounts in the self-insurance fund of the SCM Fund will be withdrawn and applied in satisfaction of claims arising as a result of events for which such fund was created.

The Senior General Resolution provides that if any property or facilities comprising part of the System will be taken through the exercise of the power of eminent domain, the City will apply the proceeds of any award received on account of such taking to the replacement of the property or facilities so taken, unless the City determines that such property or facility is not necessary to the efficient or proper operation of the System and therefore determines not to replace such property or facilities. Any proceeds of such award not applied to replacement or remaining after such work has been completed will be deposited in the SCM Fund and be available for other proper uses of funds deposited in the SCM Fund.

Amendment to the Resolutions Relating to the Refundable Credits

On April 19, 2017, the City amended each of the Resolutions to provide for an offset to debt service on the Direct Subsidy Bonds and a corresponding offset to Revenues in the amount of the Refundable Credits (the amendments being referenced herein as the “Refundable Credits Amendments”). The Resolutions, as amended, provide that (i) for the purpose of calculating Maximum Annual Debt Service, in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Subordinate Bonds or Senior Lien Bonds, as applicable, that were issued as Build America Bonds or Recovery Zone Economic Development Bonds, such amount shall be reduced by an amount equal to the Refundable Credits the City is scheduled to receive with respect to such Subordinate Bonds issued as Direct Subsidy Bonds or Senior Lien Bonds issued as Direct Subsidy Bonds, as applicable, during each such twelve-month period ending June 30 (and to avoid double counting, an equivalent amount shall be deducted from Revenues for the purpose of such calculation); and (ii) with respect to the Rate Covenant, for the purpose of calculating actual debt service becoming due on Outstanding Senior Lien Bonds (in the case of the amendment to the Senior General Resolution), or Outstanding Senior Lien Bonds and Subordinate Bonds (in the case of the amendment to the Subordinate General Resolution), in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Subordinate Bonds or Senior Lien Bonds, as applicable, that were issued as Direct Subsidy Bonds, such amount shall be reduced by an amount equal to the Refundable Credits the City is scheduled to receive with respect to Subordinate Bonds or Senior Lien Bonds, as applicable, during each such twelve-month period ending June 30 (and to avoid double counting, an equivalent amount shall be deducted from Revenues for the purpose of such calculation). See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS” attached hereto.

IMPACT OF THE COVID-19 PANDEMIC

The pandemic caused by the 2019 novel coronavirus disease (“COVID-19”) has had an adverse effect on, among other things, the national and local economy, the global supply chain, international travel and travel-related industries. 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, whose duration and severity unknown, the pandemic’s ultimate economic effects remain uncertain. **[UPDATE PRIOR TO PRINTING POS AS APPLICABLE]**

Although the nature and extent of the COVID-19 pandemic continue to evolve, the increasing size of the vaccinated population and declining infection rates have resulted in economic recovery that is expected to restore and improve certain City revenues. Nonetheless, various risks remain, including the possibility of increased infection rates, additional restrictive safety protocols (including business closures) and slower than expected economic recovery.

Employees of water and electric utility systems, like the System, are considered essential workers and are exempt from the “stay at home” and “safer at home” orders issued by the State, the County and the City, and therefore, the City has continued to fully provide wastewater services to its customers since the start of these orders. The COVID-19 pandemic has not impacted the City’s ability to continue full operations of the System. Adequate staffing levels were maintained, operations and maintenance proceeded as planned and supplies were received without significant delays.

The City is continually reviewing the effects the COVID-19 pandemic may have on the System, and the water and wastewater utility industry, generally. In response to the COVID-19 pandemic, LADWP has been implementing a number of temporary measures intended to mitigate operational and financial impacts, and to assist the System’s and LADWP’s customers, including: (i) to assist customers through any financial hardship that may occur as a result of the COVID-19 pandemic, LADWP is promoting its existing payment plans and is working on additional extended payment options; and (ii) LADWP has deferred disconnections of water and power services for non-payment until the expiration of applicable disconnection moratoriums, which are currently expected to be in place through March 31, 2022. The measures taken by LADWP to date, and additional measures that may be taken in the future, may lead to the increase of uncollected accounts related to the System and the decrease of timely payments from the System’s customers. The disconnection moratorium has negatively affected account receivables, as shown in Table 1.

The following table reflects the Sewer Service Charges (“SSC”) accounts receivable aging amounts and percentages for Fiscal Years 2016-17 through 2020-21.

TABLE 1
SSC ACCOUNTS RECEIVABLE AGING
Fiscal Year Ending June 30

| Fiscal Year Ended | Days | | | | | | Total | |
|-------------------------|---------------------|---------|-------------|---------|--------------|---------|--------------|---------|
| | 0-90 ⁽¹⁾ | | 91-180 | | 180+ | | | |
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| | Outstanding | Change | Outstanding | Change | Outstanding | Change | Outstanding | Change |
| 2017 | \$30,877,514 | - | \$9,608,202 | - | \$52,816,116 | - | \$93,301,831 | - |
| 2018 | 43,368,681 | 40.45% | 10,767,658 | 12.07% | 48,910,497 | (7.39)% | 103,046,836 | 10.44% |
| 2019 | 45,154,400 | 4.12 | 8,955,528 | (16.83) | 45,785,836 | (6.39) | 99,895,763 | (3.06) |
| 2020 | 52,346,618 | 15.93 | 12,460,630 | 39.14 | 48,129,724 | 5.12 | 112,936,972 | 13.05 |
| 2021 | 57,771,720 | 10.36 | 17,690,573 | 41.97 | 79,687,952 | 65.57 | 155,150,245 | 37.38 |

⁽¹⁾ Includes billed, non-aged accounts receivable.

Source: LADWP

The California State Water Resources Control Board has announced the California Water and Wastewater Arrearage Payment Program (“CWWAPP”) to provide relief to community water and wastewater system, like the System, for unpaid bills accrued between March 4, 2020 and June 15, 2021. The City expects that the arrearage that is attributable to that time period in the amount of approximately \$45 million will be funded through the CWWAPP in Fiscal Year 2021-22. Receipt of funds from CWWAPP is not included in projected operating results included in this Official Statement.

In addition, the pandemic has impacted and may continue to impact the finance and operations of the System in various ways, including but not limited to fluctuations in usage due to “stay at home” and “safer at home” orders, mandated grace periods for non-payment of utility bills, and the inability of some utility customers to pay their utility bills. In Fiscal Year 2020-21, the collected SSCs were 5.8% lower

than budgeted. The impact of the pandemic on future revenue collection, including SSC, is unknown and may be material.

No assurance can be given that the reduction of revenues associated with the COVID-19 pandemic will not adversely affect the ability of the System to generate Revenues sufficient to pay debt service on the Subordinate Bonds, including the Series 2022-AB Subordinate Bonds.

The City cannot predict (i) the duration or extent of the COVID-19 pandemic; (ii) to what extent the COVID-19 pandemic may affect the operations and revenues of the System; (iii) to what extent COVID-19 may disrupt the local, State, national and global economies, manufacturing or supply chain, or whether any such disruption may adversely impact System-related construction, the cost, sources of funds, schedule or implementation of the System's capital improvement program, or other System operations; (iv) to what extent the City may provide additional deferrals, forbearances, adjustments or other changes to its customers or LADWP's billing and collection procedures; or (v) whether any of the foregoing may have a material adverse effect on the finances and operations of the System. Prospective investors should consider that the restrictions and limitations instituted related to COVID-19 may increase (even after they are decreased), and the disruption to the national and global economies may continue and/or be exacerbated, at least over the near term, and the recovery may be prolonged, and therefore, COVID-19 may adversely impact System revenues.

See "FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM—Billing and Collection," "RISK FACTORS—Infectious Disease Outbreak and Potential Impacts of COVID-19."

THE WASTEWATER SYSTEM

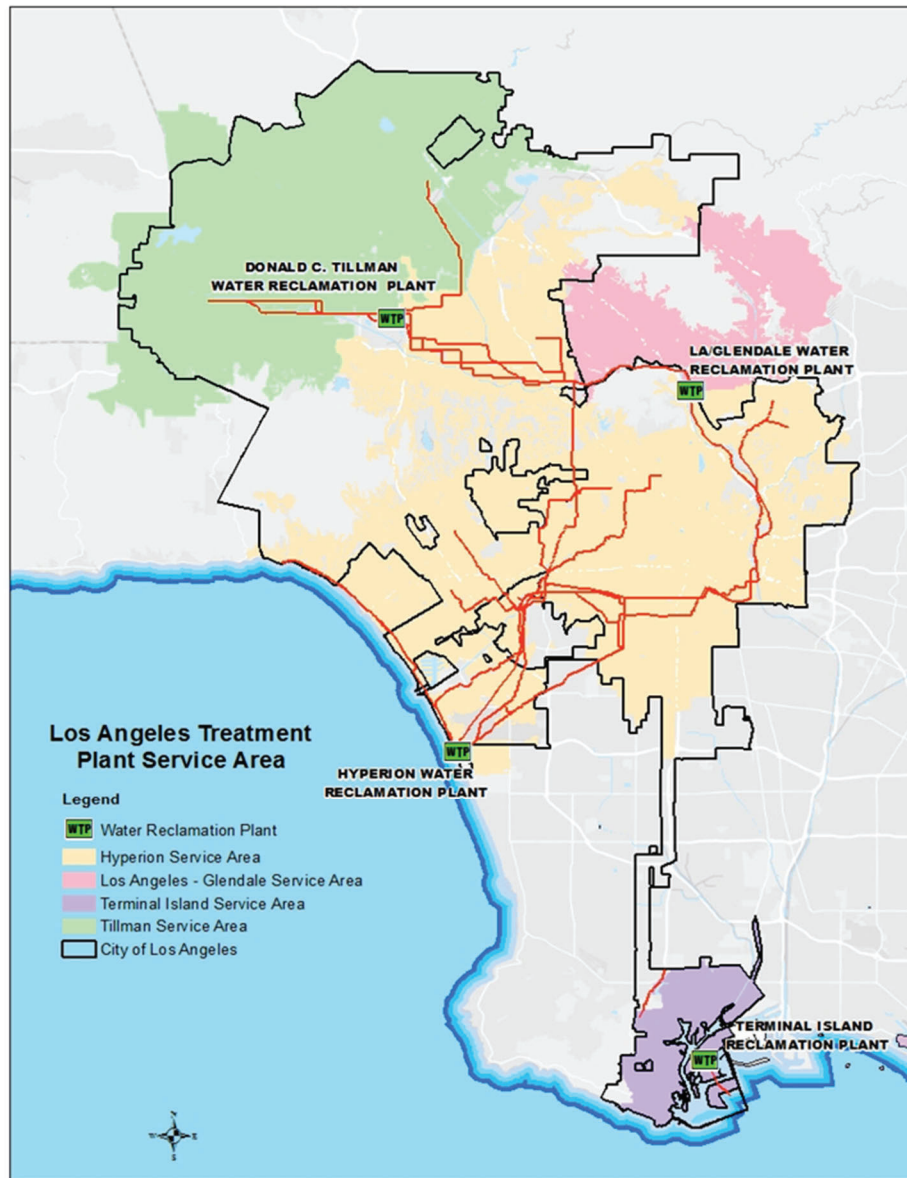
Service Area

The System provides wastewater conveyance, treatment and disposal services for an area of approximately 600 square miles that includes most of the City and certain adjacent communities. The wastewater service area within the Los Angeles Basin is determined by natural drainage patterns and does not generally conform to political boundaries. Because of the economics associated with gravity flow, parts of the City are served by other agencies and the System provides wastewater service for communities outside the boundaries of the incorporated City. Areas within the City limits that are not served by the City are served by the Los Angeles County Sanitation Districts. A map of the System is provided on the next page of this Official Statement.

The System consists of two distinct service areas. A total of 515 square miles of central, western and northern areas of the City are tributary to a coastal wastewater reclamation facility, the Hyperion Water Reclamation Plant ("HWRP"). The southern harbor area of the City, totaling 18 square miles, is tributary to the Terminal Island Water Reclamation Plant ("TIWRP"). For ease of reference, the two service areas are referred to herein as the Hyperion Service Area and the Terminal Service Area. The Hyperion Service Area serves approximately 96% of the City's wastewater flows.

The City's stormwater collection and conveyance system is separate from the wastewater collection and conveyance system. Stormwater is discharged into the Santa Monica Bay and Los Angeles Harbor through a series of storm drains and channels. Some dry weather urban runoff is diverted to the wastewater conveyance system for treatment at the HWRP.

**CITY OF
LOS ANGELES, CALIFORNIA
WASTEWATER SYSTEM**



Existing Facilities

In addition to HWRP and TIWRP, the City operates two other water reclamation plants upstream in the Hyperion Service Area along the Los Angeles River: the Donald C. Tillman Water Reclamation Plant (“DCTWRP”) and the Los Angeles-Glendale Water Reclamation Plant (“LAGWRP”).

The wastewater collection and conveyance system consists of more than 6,700 miles of mainline sewers, in excess of 100,000 maintenance holes, and other miscellaneous facilities. Sixty-seven percent of the sewers have been in service for 50 years or more with the oldest pipes installed about 130 years ago. The seven main interceptor sewers in the Hyperion Service Area are the Central Outfall Sewer, the

Coastal Interceptor Sewer, the East Central Interceptor Sewer, the Northeast Interceptor Sewer, the North Central Outfall Sewer, the North Outfall Sewer (“NOS”), and the North Outfall Replacement Sewer.

While a large portion of the System is gravity fed, the City maintains 24 pumping plants in the Hyperion Service Area and 20 pumping plants in the Terminal Island Service Area. The conveyance system is designed with redundancy in the form of standby pumps and power supplies. Certain plants are provided with storage retention basins or emergency bypass lines to address potential conveyance failures.

The wastewater reclamation facilities and the collection and conveyance systems are subject to ongoing capital improvements. See “WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM – Current Major Projects of the Wastewater System Capital Improvement Program” herein.

The City currently reuses biosolids, a byproduct and residual of wastewater treatment, as a soil amendment at the City-owned Green Acres Farm in Kern County. The City also composts a portion of its biosolids at its Griffith Park compost facility for application in City parks and in giveaways to City residents.

Water Reclamation Plants. The following table sets forth the approximate first year of operation, the current design capacities and the influent flows of the Hyperion Service Area reclamation facilities and the Terminal Island Service Area reclamation facilities:

**TABLE 2
EXISTING WATER RECLAMATION FACILITIES
AVERAGE FLOWS FOR FISCAL YEAR 2020-21**

| Reclamation Facility | Approximate First Year of Operation | Current Design Capacity (mgd)⁽¹⁾ | Average Flow (mgd) |
|--------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------|-----------------------------------|
| HYPERION SERVICE AREA | | | |
| Hyperion ⁽²⁾ (Secondary Treatment) | 1923 | 450 | 248 |
| Los Angeles-Glendale (Tertiary Treatment) | 1976 | 20 | 17 |
| Tillman (Tertiary Treatment) | 1984 | 80 | 39 |
| Total Hyperion System | | 550 | 304 |
| TERMINAL ISLAND SERVICE AREA | | | |
| Terminal Island (Advanced Water Purification Facility) | 1935 | 30 | 12 |
| TOTAL BOTH SYSTEMS⁽³⁾ | | 580 | 316 |

⁽¹⁾ “mgd” means million gallons per day.

⁽²⁾ Includes treated outflow from upstream plants.

⁽³⁾ Totals may not add due to rounding.

Source: Bureau of Sanitation

Hyperion Water Reclamation Plant. HWRP was first constructed in 1923, with full secondary treatment of effluent beginning in 1950. Capacity issues required that the City discharge sludge in the ocean, beginning the City’s major wastewater capital improvement program. By 1998, the facility could provide full secondary treatment; in 2002 production of Class A Exceptional Quality Biosolids began; and in 2017 biogas produced at the plant began being used to generate electricity to fully power HWRP’s processes.

The existing HWRP, designed for an average flow of 450 mgd, currently treats an average flow of approximately 248 mgd. The HWRP has a maximum wet weather flow capacity of 850 mgd. The HWRP provides secondary treatment utilizing the pure oxygen activated sludge process.

See “Regulatory Requirements – NPDES Permits – Wastewater Overflows” herein for a discussion of a recent incident involving HWRP that occurred on July 11, 2021.

Donald C. Tillman and Los Angeles-Glendale Water Reclamation Plants. The DCTWRP first opened in 1984, and expanded in 1991. One of its key features is a 6.5-acre Japanese Garden which includes a 2.75-acre lake that is filled with treated water from DCTWRP. It is designed to provide tertiary treatment for an average dry weather flow of 80 mgd and a peak wet weather flow of 160 mgd. The purpose of the DCTWRP is to treat all of the wastewater flow from the Additional Valley Outfall Relief Sewer and the East Valley Interceptor Sewer, providing flow relief for downstream reaches of the interceptor system.

The LAGWRP, which began service in 1976, is designed to provide tertiary treatment for an average dry weather flow of 20 mgd and a peak wet weather flow of 30 mgd. This plant is able to provide flow relief for the NOS interceptor system by treating a portion of the flow from the eastern section of the San Fernando Valley and the cities of Burbank and Glendale.

Sludge produced by the two water reclamation plants is returned to the interceptor system for treatment at the HWRP. In Fiscal Year 2020-21, the DCTWRP and the LAGWRP returned a total of 9.6 mgd of sludge to the HWRP for treatment.

Terminal Island Water Reclamation Plant. The service area for the TIWRP consists of the Harbor area of the City located approximately 20 miles south of downtown Los Angeles. This area includes the communities of Wilmington and San Pedro, Terminal Island, and a portion of Harbor City. As it is geographically isolated from the rest of the City, this area requires a separate conveyance, treatment and disposal system. The facility was originally opened in 1935, converted to full secondary treatment in 1977, and completed its conversion to tertiary treatment in 1997. In 2017, an advanced water purification system was completed.

The TIWRP is designed to treat an average dry weather flow of 30 mgd and a peak wet weather flow of 55 mgd. The TIWRP has provided tertiary treatment since December 1996. TIWRP also contains an Advanced Water Purification Facility (AWPF) that uses microfiltration, reverse osmosis and an ultraviolet - advanced oxidation process. The AWPF has the capacity to produce 12 mgd of recycled water. LADWP purchases the recycled water, and then sells the water to recycled water users.

System Wastewater Flow

The following table sets forth the System wastewater flows for Fiscal Years 2011-12 through 2020-21 for each wastewater reclamation facility. The overall decrease in wastewater flow over the last decade is attributable to water conservation efforts. It is assumed that billable wastewater volume will decrease by approximately 5.25% in Fiscal Year 2021-22 due to continued impacts related to the COVID-19 pandemic, and will continue to experience a net annual decline of 0.44% due to conservation efforts from Fiscal Year 2021-22 through Fiscal Year 2023-24, with no further projected volume reduction starting Fiscal Year 2024-25. The projections assume that the System will not experience significant reductions in wastewater volume due to the currently ongoing drought and will experience a population growth of 0.1% per year. See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM” herein for a description of the effects of the City’s conservation efforts.

TABLE 3
AVERAGE HISTORIC WASTEWATER FLOW
(Amounts in Million Gallons Per Day)

| Fiscal Year Ended June 30 | HWRP | LAGWRP | DCTWRP | TIWRP | TOTAL⁽¹⁾ |
|--------------------------------------|-------------|---------------|---------------|--------------|----------------------------|
| 2012 | 288 | 20 | 46 | 14 | 368 |
| 2013 | 291 | 19 | 47 | 14 | 371 |
| 2014 | 279 | 19 | 50 | 15 | 363 |
| 2015 | 265 | 18 | 43 | 16 | 342 |
| 2016 | 252 | 17 | 46 | 14 | 329 |
| 2017 | 258 | 17 | 50 | 13 | 338 |
| 2018 | 259 | 17 | 47 | 12 | 335 |
| 2019 | 265 | 18 | 43 | 12 | 338 |
| 2020 | 261 | 17 | 41 | 12 | 333 |
| 2021 | 248 | 17 | 39 | 12 | 315 |

⁽¹⁾ Totals may not add due to rounding.

Source: Bureau of Sanitation

Subscribing Agencies

Universal Terms Contracts. The City currently provides wastewater conveyance, treatment and disposal services on a wholesale basis to 20 agencies (each, an “Agency” and collectively the “Agencies”), representing over 99% of its contract flow, pursuant to Universal Terms Contracts. The Agencies include the cities of Beverly Hills, Burbank, Culver City, El Segundo, Glendale, La Cañada Flintridge, Long Beach, San Fernando, Santa Monica, the Crescenta Valley Water District, the Las Virgenes Municipal Water District, several Los Angeles County Sanitation Districts, and the unincorporated communities of Marina Del Rey and Universal City. Service charges to the Agencies are based on the costs of the City’s wastewater facilities, including the costs of the four water reclamation plants, the costs of sewers with diameters of 36 inches or larger and of pumping stations and appurtenances connected to those sewers, and half the costs of sewers with diameters that are 30 to 36 inches and of the pump stations and appurtenances connected to those sewers.

The Universal Terms Contracts include the following key provisions: (i) the Agencies will pay shares of the costs of the City’s wastewater system facilities regardless of which facilities actually treat and convey their wastewater, (ii) the Agencies’ shares of treatment costs will reflect the flow and quality of their wastewater, (iii) the Agencies’ shares of conveyance costs will reflect their flows and distances to the wastewater reclamation facilities, (iv) the Agencies’ charges will be based on their actual wastewater flow and quality, (v) there will be no limitation on the wastewater that an Agency can discharge into the System, (vi) the Agencies and the City will share the connection fee income paid by new customers discharging to the System, (vii) interest and penalties will be added to late payments by the Agencies, (viii) each Agency may have access to a share of the reusable water produced by the City’s water reclamation plants, and (ix) the contract will have a thirty-year term, except that the parties may initiate renegotiations after ten years for certain changed conditions. All of the Universal Terms Contracts are in effect through 2029. The City expects that wastewater service to the Agencies will be extended beyond 2029 pursuant to renegotiated contracts in part because of the large economies of scale available in the System, the difficulty associated with siting and permitting smaller wastewater reclamation facilities serving just the Agencies, and the high cost of connecting the Agencies’ sewer systems to other regional wastewater systems.

Older Sewage Disposal Contracts. The City also serves nine other agencies (each, an “SDC Entity” and together with the Agencies, the “Entities”) on a wholesale basis pursuant to the older Sewage Disposal Contracts (“SDCs” which, together with the Universal Terms Contracts, the “Wastewater Service Contracts” or “WSC”). The nine SDC Entities operating under the older SDCs account for 0.3 mgd, which is 0.07% of the 29 Entities’ total average flow in Fiscal Year 2020-21. These customers include the federal Veterans Administration and several small SDC Entities. Although each SDC varies somewhat as to its terms and conditions, in general each SDC requires payment of operation and maintenance expenses and capital costs attributable to those components of the sewer system used by the SDC Entity. See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Sewer Rates and Revenues – Wastewater Service Contracts” herein for a description of Revenues relating thereto.

Flow Contributed by the Entities. The Entities contributed approximately 12.6% of the System flow in Fiscal Year 2020-21. The five largest Entities (Beverly Hills, Culver City, Glendale, Los Angeles County Sanitation District No. 4, and Santa Monica) accounted for approximately 75.6% of the 29 Entities’ total flow. The next five largest Entities accounted for approximately 17.4% of the Entities’ total flow. The following table sets forth the largest Entities and the flow contributed by each.

TABLE 4
MAJOR SUBSCRIBING ENTITIES AND FLOW CONTRIBUTED
Fiscal Year 2020-21

| Entities | Actual Flow (mgd) |
|-----------------------------------------------|----------------------|
| Glendale | 12.75 |
| Santa Monica | 7.63 |
| Los Angeles County Sanitation District No. 4 | 3.45 |
| Beverly Hills | 3.40 |
| Culver City | 2.98 |
| San Fernando | 1.67 |
| Crescenta Valley Water District | 1.51 |
| Marina Del Rey | 1.48 |
| El Segundo | 1.30 |
| Burbank ⁽¹⁾ | 1.00 |
| Los Angeles County Sanitation District No.5 | 0.60 |
| Los Angeles County Sanitation District No. 16 | 0.42 |
| Universal City | 0.36 |
| Las Virgenes Municipal Water District | 0.34 |
| Veterans Administration | 0.32 |
| Los Angeles County Sanitation District No. 9 | 0.21 |
| All Others | <u>0.50</u> |
| Total | 39.92 |

⁽¹⁾ Reflects the flow that was used in billing the City of Burbank for its wastewater service. However, this amount may be revised due to a dispute between the City and the City of Burbank over flow monitoring issues.

Source: Bureau of Sanitation

Other Facilities. The City of Burbank independently owns and operates a wastewater treatment facility capable of treating up to nine mgd of wastewater flow. The remaining flow and the sludge from the City of Burbank’s plant are deposited into the System. The City of Burbank could expand its facilities

to treat all of the wastewater now produced in the City of Burbank. However, any biosolids generated by the City of Burbank could still be discharged to the System for treatment and disposal.

The City of Glendale is responsible for 50% of the operation and maintenance expenses and 50% of non-expansion related capital improvement costs associated with the LAGWRP that is owned and operated by the City. The City is responsible for the remainder of the operation and maintenance expenses and non-expansion related capital improvement costs and all expansion-related capital improvement costs associated with this plant.

Contract Receipts. The following table sets forth WSC cash receipts from the 29 Entities for Fiscal Years 2016-17 through 2020-21. These amounts constituted approximately 6% of total System revenues in Fiscal Year 2020-21.

TABLE 5
SEWER CONSTRUCTION AND MAINTENANCE FUND
CONTRACTUAL WASTEWATER SERVICES RECEIPTS
CASH BASIS (UNAUDITED)
(in thousands)

| | Fiscal Year Ended June 30 | | | | |
|---------------------------|----------------------------------|---------------------------|---------------------------|---------------|---------------------------|
| | 2017 | 2018⁽¹⁾ | 2019⁽¹⁾ | 2020 | 2021⁽²⁾ |
| Operation and Maintenance | \$24,303 | \$19,975 | \$33,388 | \$26,608 | \$29,461 |
| Capital ⁽³⁾ | <u>22,343</u> | <u>13,642</u> | <u>21,532</u> | <u>18,833</u> | <u>14,836</u> |
| Total ^{(4),(5)} | \$46,646 | \$33,617 | \$54,920 | \$45,441 | \$44,298 |

⁽¹⁾ Receipts from the Entities declined in Fiscal Year 2017-18 because fewer reconciliation invoices being paid by the Entities in Fiscal Year 2017-18 for service incurred in Fiscal Year 2016-17. In addition, the City of Glendale's share of the cost of LAGWRP, in the amount of \$11.5 million, was billed late which did not provide enough time for the City of Glendale to pay in the same fiscal year. This is reflected in the higher receipts in Fiscal Year 2018-19.

⁽²⁾ Receipts decreased in Fiscal Year 2020-21 pending reconciliations of capital costs in connection with ongoing discussions with the Entities.

⁽³⁾ Capital charges to the Entities are based on the costs of the City's wastewater facilities, including the costs of the four water reclamation plants, the costs of sewers with diameters of 36 inches or larger and of pumping stations and appurtenances connected to those sewers, and half the costs of sewers with diameters that are 30 to 36 inches and of the pump stations and appurtenances connected to those sewers. As such, the capital costs the Entities will be charged will fluctuate depending on the priorities of the CIP and types of capital projects in any given year.

⁽⁴⁾ Totals may not equal the sum of components due to individual rounding.

⁽⁵⁾ See Table 17 for total System revenues, which include operating receipts and non-operating receipts. Capital receipts from the Entities do not constitute Revenues pledged to the Series 2022-AB Subordinate Bonds.

Source: Office of Accounting

ORGANIZATION AND MANAGEMENT OF THE SYSTEM

General

The City is the planning agency, owner and operator of the System. The governing body consists of the Mayor, who is chief executive of the City, and a 15-member full-time City Council, which is the legislative body. The Mayor, the members of the City Council, the City Controller and City Attorney are elected officials.

The Board of Public Works manages the Department of Public Works, which administers the City's water pollution control policy and is responsible for operation of the following bureaus: Contract

Administration, Engineering, Sanitation, Street Lighting, and Street Services. The Board of Public Works is composed of five full-time salaried members appointed by the Mayor for a term of five years.

The Board of Public Works advertises and invites proposals for bids, awards contracts for the construction of public facilities, and coordinates the issuance of certain activity permits for use of City-owned property.

Office of Accounting

The Office of Accounting of the Board of Public Works (the “Office of Accounting”) provides accounting and financial services to the Department of Public Works for all of its funds and programs, including the SCM Fund and the wastewater program. The Office of Accounting also prepares SCM Fund financial reports and statements, and operates systems to provide general ledger and cost data to departmental users.

Bureau of Engineering

The Bureau of Engineering prepares environmental assessments, preliminary designs, final plans, specifications, and estimates for storm drains, sewers, water reclamation plants, bridges, service yards, and other public improvements. The Bureau of Engineering handles contract documents and certain contractual relationships for the aforementioned items during construction. The Bureau of Engineering acquires rights of way and easements required for the various City projects. For major design projects, such as the rehabilitation of the NOS, the Bureau of Engineering's staff is augmented through the use of engineering consultants.

Bureau of Sanitation

The Bureau of Sanitation is responsible for the operation and maintenance of all facilities required for the conveyance, treatment, and recycling of wastewater, including various technical services related to wastewater. The Bureau of Sanitation is also responsible for the collection and disposal of refuse and other solid waste and for maintenance of local storm drains. The Bureau has 25 divisions with over 3,300 employees.

A number of the Bureau's divisions are responsible for operating the System. Each of the four water reclamation plants has its own division responsible for its operations and maintenance activities. A separate division is responsible for operating the separate sanitary sewer and local storm drain conveyance systems for both wastewater and storm water. The Wastewater Engineering Service Division is responsible for integrated planning and engineering services for the System.

A number of technical services are provided to the System by other divisions of the Bureau: the Environmental Monitoring Division, the Industrial Waste Management Division, the Information and Control Systems Division, the Industrial Safety and Compliance Division, and the Regulatory Affairs Division.

The Financial Management Division is responsible for wastewater-related budget, cost recovery, customer services, and other financial matters, including developing and recommending rates and charges for the System. The Administration Division handles activities related to contracts, purchasing, payroll, and human resources.

Bureau of Contract Administration

The Bureau of Contract Administration is responsible for administering contracts and permits for construction of all public works projects, including providing inspection services at construction sites, preparing statements of payments due on contracts, recommending acceptance of public improvement projects, and reviewing contractor compliance with affirmative action and minority business enterprise requirements on City projects.

WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM

General

The City's capital planning process reflects several levels of decision making. The long-range planning is contained in the *One Water LA 2040 Plan* (which replaced the previously known *Integrated Resources Plan* and is now commonly referred to as *the Zero Wasted Water Plan*) (the "Plan"). The purpose of the Plan is to increase sustainable water management for the City to develop a vision and implementation strategy, to more sustainably and cost-effectively manage water and identify ways for City departments and regional agencies to integrate their water management strategies. Bureau of Sanitation and LADWP led the Plan's development, partnering with other City departments, regional agencies, academia, the business community, and other stakeholders. Among the resources addressed were stormwater pollution abatement, increased capture of stormwater and expanded uses of recycled wastewater. The latter goal is addressed in a chapter of the Plan titled the Wastewater Facilities Plan.

The Wastewater Facilities Plan informs the development of the Clean Water Capital Improvement Program (the "CIP"), an ongoing, ten-year, capital expenditure program. The general objectives of the CIP are to meet federal and State requirements and City policy regarding water pollution control, to provide satisfactory levels of service to users of the System, and to maintain the integrity of the System. The projects included in CIP have been approved by the City's Program Review Committee (the "PRC"), comprised of Assistant Directors of the Bureau of Sanitation and a Deputy City Engineer. The administration, coordination, and implementation of the projects in the CIP are assigned to various divisions of the Bureau of Sanitation and the Bureau of Engineering in the Department of Public Works. The CIP includes replacement, rehabilitation, water recycling and expansion of the City's water reclamation and collection system facilities. The 10-year estimated total cost of the CIP is approximately \$4.1 billion.

The CIP currently includes such improvements to the System as the installation of major interceptor sewers, the renovation or replacement of other major sewers and pumping stations, and the modernization and upgrading of wastewater treatment and water recycling facilities to, among other things, provide for the expanded availability and use of recycled water.

The Bureau of Sanitation is responsible for final decisions relating to the CIP costs and priorities. The PRC evaluates the CIP annually, and meets monthly to consider any changes affecting scope, cost, schedule, and overall implementation of CIP components. The City funds CIP projects either with existing funds on hand or by issuing debt. The source of funding for each CIP project is determined after review by the Bureau of Sanitation's Financial Management Division of the project type, current cash level and compliance requirements.

The City annually prepares a Wastewater System Capital Improvement Expenditure Program budget for the System to appropriate funds for capital projects, which is included for funding in the City's annual budget.

Prior Year Capital Expenditures

The following table sets forth the unaudited capital expenditures made by the City for the CIP from Fiscal Years 1986-87 through 2020-21.

TABLE 6
WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM EXPENDITURES
Fiscal Years 1986-87 through 2020-21 (Cash Basis)
(in thousands)

| Fiscal Year Ended June 30 | Wastewater Treatment | | | | | Non Construction Capital Expenditures ⁽⁴⁾ | Total ⁽⁵⁾ |
|---------------------------------|-------------------------------------------------|-------------------------------------------|-----------------------------------------------------|-------------------------------|-----------------------------------------------------|---------------------------------------------------------------|----------------------|
| | System- Wide Conveyance and Pumping | Hyperion Water Reclamation Plant | Other Water Reclamation Plants ⁽²⁾ | Plant Projects Subtotal | Construction Projects Subtotal ⁽³⁾ | | |
| Prior Years ⁽¹⁾ | \$2,373,341 | \$2,038,649 | \$445,068 | \$2,483,717 | \$4,857,058 | \$1,676,255 | \$6,533,313 |
| 2012 | 57,569 | 30,398 | 10,699 | 41,097 | 98,666 | 60,402 | 159,068 |
| 2013 | 71,938 | 32,266 | 6,480 | 38,746 | 110,684 | 77,519 | 188,203 |
| 2014 | 72,059 | 23,751 | 20,520 | 44,271 | 116,330 | 74,290 | 190,620 |
| 2015 | 67,512 | 58,671 | 12,458 | 71,129 | 138,641 | 75,547 | 214,188 |
| 2016 | 126,622 | 71,180 | 50,236 | 121,416 | 248,038 | 108,031 | 356,069 |
| 2017 ⁽⁶⁾ | 98,532 | 56,161 | 58,160 | 114,321 | 212,853 | 107,841 | 320,694 |
| 2018 ⁽⁶⁾ | 146,664 | 61,005 | 31,177 | 92,182 | 238,846 | 108,174 | 347,020 |
| 2019 ⁽⁶⁾ | 151,185 | 50,177 | 23,843 | 74,020 | 225,205 | 113,238 | 338,443 |
| 2020 | 184,610 | 69,331 | 19,123 | 88,454 | 273,064 | 122,934 | 395,998 |
| 2021 | 127,067 | 47,743 | 13,438 | 61,181 | 188,248 | 125,025 | 313,273 |
| Total | \$3,477,099 | \$2,539,332 | \$691,202 | \$3,230,534 | \$6,707,633 | \$2,649,256 | \$9,356,889 |

⁽¹⁾ Includes capital improvements from Fiscal Year 1986-87 through Fiscal Year 2010-11.

⁽²⁾ Includes the LAGWRP, DCTWRP and TIWRP construction projects.

⁽³⁾ Represents the sum of System-wide conveyance and pumping expenditures and wastewater treatment expenditures.

⁽⁴⁾ Includes non-construction expenditures of the CIP, such as: capital labor, retirement contributions for System staff who work on the CIP, equipment for the CIP, SRF Clean Water Loan payments, and the costs of issuance of the debt issued to finance capital improvements.

⁽⁵⁾ Represents the sum of capital improvement expenditures and capital non-construction program expenditures.

⁽⁶⁾ Non Construction Capital Labor for Fiscal Years 2016-17, 2017-18 and 2018-19 was restated from estimated costs to reflect actual costs.

Source: Bureau of Sanitation and Office of Accounting

Current Major Projects of the Wastewater System Capital Improvement Program

Current Projects. The following projects are currently included in the CIP and some of the projects are expected to be funded or refinanced in whole or in part from proceeds of the Series 2022-AB Subordinate Bonds. The cost estimates for the projects that are set forth below may increase and the expected dates of completion for these projects may be delayed due to unexpected events, circumstances or conditions. See “- Financing Plans for the Wastewater System Capital Improvement Program” herein.

Venice Pumping Plant Dual Force Main. The City is constructing a second force main to handle the peak wet weather flow at this pumping plant. The estimated cost for the construction phase of this project is approximately \$96 million, of which approximately \$49 million remains to be spent. Completion of the project is scheduled in Fiscal Year 2021-22.

Secondary Sewer Renewal Program. The City's Secondary Sewer Renewal Program (“SSRP”) (replacing sewer lines less than 16 inches in diameter) will continue to be a large portion of the CIP. The SSRP includes 10 projects expected to be completed in Fiscal Year 2026-27 and totaling approximately \$82 million. The City continuously assesses the secondary sewers, and additional projects will be added to the SSRP as needed.

Donald C. Tillman Water Reclamation Plant - Advanced Water Purification Facility. The project is to construct an up to 18 mgd AWPf at the DCTWRP, then convey the purified recycled water to the spreading grounds. The project is estimated to cost approximately \$385 million and is expected to be completed in Fiscal Year 2026-27.

NOS/ Large Diameter Sewer Pipe CCTV and Emergency Repairs. In Fiscal Year 2020-21, the Bureau of Sanitation completed 51 miles of Closed Circuit Television (CCTV) inspection of the NOS and 63 miles of primary sewers (sewers 16-inch and greater). There have been 14 emergency repair actions on the NOS resulting from large diameter sewer inspections. Approximately 2.75 miles of the NOS have been repaired or replaced by these emergency projects, costing approximately \$77 million. The rehabilitation of the NOS and other large diameter sewers are ongoing. As the City continues the CCTV program, there will be a need for planned and emergency repairs to other sections of the NOS and other large diameter sewers, as these corrode due to an aging system. The City plans to spend \$327 million for NOS and large diameter projects from Fiscal Year 2021-22 through 2025-26. The CIP also includes many major sewers that require rehabilitation and repairs. However, there are no guarantees that future sewer failures will not occur. See “- Secondary Sewer Renewal Program” above for a description of the City's program for replacing portions of the Conveyance System, including renewals of secondary sewers.

Additional Projects. In addition to the projects described above, the City plans to spend approximately \$1 billion from Fiscal Year 2021-22 through Fiscal Year 2025-26 to fund over 150 additional projects. These projects include collection system improvements (sewer rehabilitations and new sewers and rehabilitations) and pumping plants projected at \$277.3 million, reclamation plant process enhancements projected at \$440.3 million, and recycling projects at the four wastewater reclamation facilities projected at \$290.3 million.

A longer-term project is the Hyperion 2035 Water Recycling Project. The City set a goal of recycling all of the flow at the HWRP by 2035, although it is likely the timeline will be extended by an undetermined amount due to financial disruption caused by the COVID-19 pandemic. While the majority of the construction for this program is outside of the five-year horizon presented herein, several preliminary and pilot projects are underway, including the HWRP Advanced Water Purification Facility - Los Angeles International Airport (“HWRP AWPf-LAX”) Project, the HWRP AWPf Membrane BioReactor Pilot (“HWRP AWPf MBR Pilot”) Project, and the HWRP Advanced Water Purification Facility. The HWRP AWPf LAX Project will construct a 1.5 mgd advanced water treatment process at HWRP that will serve the Los Angeles International Airport. The HWRP AWPf MBR Pilot Project consists of a pilot study to determine the feasibility of utilizing the nitrification and denitrification MBR at HWRP. The Hyperion 2035 Water Recycling Project will construct up to 250 mgd of advanced water treatment process at HWRP, with an approximate cost estimate of over \$4 billion. These recycled water projects are joint projects between Bureau of Sanitation and LADWP, which LADWP agrees to pay for the capital costs required to produce recycled water above what is required by HWRP’s NPDES permit.

Proposed CIP Expenditures. The following table sets forth a summary of the projected CIP expenditures for Fiscal Years 2021-22 through 2025-26. See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Water Usage – *General*” herein. The City continually monitors its revenues and billable wastewater volume and adjusts the capital program accordingly.

TABLE 7
SUMMARY PROJECTED CAPITAL IMPROVEMENT PROGRAM EXPENDITURES
Fiscal Years 2021-22 through 2025-26
(in thousands)

| Fiscal Year Ending June 30 | Construction Capital Expenditures | | | | | | Non- Construction Capital Expenditure ⁽⁴⁾ | Total ⁽⁵⁾ |
|-------------------------------------|--------------------------------------------------|-------------------------------------------|-----------------------------------------------------|----------------------------------------------|-------------------------------|-----------------------------------------------------|---------------------------------------------------------------|----------------------|
| | System- Wide, Collection and Pumping | Hyperion Water Reclamation Plant | Other Water Reclamation Plants ⁽¹⁾ | Recycled Water Projects ⁽²⁾ | Plant Projects Subtotal | Construction Projects Subtotal ⁽³⁾ | | |
| 2022 | \$137,967 | \$48,340 | \$65,850 | \$49,412 | \$163,603 | \$301,569 | \$124,379 | \$425,948 |
| 2023 | 175,068 | 43,056 | 64,386 | 84,490 | 191,932 | 367,000 | 132,835 | 499,835 |
| 2024 | 101,709 | 20,377 | 37,383 | 224,356 | 282,116 | 383,826 | 136,359 | 520,185 |
| 2025 | 138,191 | 21,176 | 42,523 | 148,109 | 211,809 | 350,000 | 139,983 | 489,983 |
| 2026 | 182,377 | 46,906 | 50,326 | 131,909 | 229,141 | 411,518 | 143,710 | 555,228 |
| Total | <u>\$735,313</u> | <u>\$179,855</u> | <u>\$260,469</u> | <u>\$638,276</u> | <u>\$1,078,601</u> | <u>\$1,813,913</u> | <u>\$677,267</u> | <u>\$2,491,181</u> |

⁽¹⁾ Includes non-recycled water projects at LAGWRP, DCTWRP, and TIWRP construction projects.

⁽²⁾ Includes advanced water purification projects at HWRP and DCTWRP.

⁽³⁾ Represents the sum of system-wide collection and pumping expenditures, water reclamation plant, and recycled water construction expenditures.

⁽⁴⁾ Includes non-construction expenditures of the CIP, such as: capital labor, retirement contributions for System staff who work on the CIP, equipment for the CIP, and the costs of issuance of the debt issued to finance capital improvements and SRF Clean Water Loan payments (which payments ends in Fiscal Year 2024-25).

⁽⁵⁾ Represents the sum of capital improvement construction expenditures and capital non-construction program expenditures.

Source: Bureau of Sanitation

Financing Plans for the Wastewater System Capital Improvement Program

There are four primary funding sources available for the CIP: (i) System Revenues, (ii) Wastewater Service Contracts, (iii) proceeds of debt issuances, and (iv) federal and state grants and reimbursements.

System Revenues derived from user fees will continue to directly finance a portion of capital improvements. Wastewater Service Contract capital payments made under agreements or contracts with 29 regional entities include reimbursement for certain capital improvements and related engineering and contract administration costs. Debt financing (primarily commercial paper, revenue bonds and State and Federal loans) will provide the largest share of funds required by the CIP. The City estimates that a total of approximately \$1.4 billion of the CIP expenditures from Fiscal Years 2021-22 through 2025-26 will be financed through the issuance of bonds, notes or other forms of indebtedness.

The Outstanding Senior Lien Bonds and Subordinate Bonds were issued pursuant to the Charter of the City. Originally, the voters of the City authorized the issuance of wastewater system revenue bonds and notes under the Revenue Bond Law of 1941 in an aggregate principal amount of \$3.5 billion. The voters of the City subsequently approved a new Charter which became effective July 1, 2000. Under the new Charter, revenue bonds and notes of the City may be issued in accordance with the Procedural Ordinance and without any further authorization by the voters of the City. The Series 2022-AB Subordinate Bonds will be issued pursuant to the Charter of the City and the Procedural Ordinance.

The City had approximately \$51.97 million aggregate principal amount of outstanding under a loan from the Clean Water State Revolving Fund (the “SRF Clean Water Loan”) as of December 2021. The City’s existing SRF Clean Water Loan will be paid through August 9, 2024. The SRF Clean Water Loan is secured on a basis subordinate to all outstanding and hereinafter issued Senior Lien Bonds and the Subordinate Bonds, including Wastewater System Commercial Paper Notes.

On September 23, 2021, the City incurred a loan in the original principal amount of up to \$223,921,010 (the “WIFIA Loan”) from the United States Environmental Protection Agency for a financing under the Water Infrastructure Finance and Innovation Act for the AWPf project and three

related projects at DCTWRP (collectively, the “DCTWRP AWP Project”). The DCTWRP AWP Project, anticipated to be substantially completed on September 30, 2027, will provide high quality recycled water for groundwater recharge. The City plans to draw on the WIFIA Loan upon the substantial completion of the DCTWRP AWP Project. The WIFIA Loan is secured on parity with the Subordinate Bonds, and the WIFIA Loan agreement provides that terms of proposed amendments to the Senior General Resolution and Subordinate General Resolution will become effective with respect to the WIFIA Loan upon the approval of such amendments by the requisite percentage of owners of the Senior Lien Bonds or the Subordinate Bonds, as applicable. See “FUTURE AMENDMENT OF SUBORDINATE GENERAL RESOLUTION AND SENIOR GENERAL RESOLUTION – Amendment of Subordinate General Resolution.”

In addition to the WIFIA Loan, the project may also be funded with up to \$266 million from a State Revolving Fund Loan (the “SRF Loan”), as specified in the 2020-21 Clean Water State Revolving Fund Intended Use Plan published on June 16, 2020, with the remaining project cost funded by other debt and cash from Revenues. The City is currently preparing the SRF Loan application for submission. The SRF Loan is expected to be issued on parity with the Subordinate Bonds.

The following table sets forth the projected major funding sources for the CIP for Fiscal Years 2021-22 through 2025-26.

TABLE 8
PROJECTED SOURCES OF FUNDING FOR
CAPITAL IMPROVEMENT PROGRAM
(in thousands)

| Description | Fiscal Year Ending June 30 | | | | | Total |
|----------------------------------------------------|----------------------------|------------------|------------------|------------------|------------------|--------------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | |
| Recycled Water Capital Contributions | | | | | | |
| DCTWRP AWP Project (LADWP) ⁽¹⁾ | \$6,000 | \$77,733 | \$63,162 | \$50,453 | \$22,281 | \$219,629 |
| HWRP LAW Project (LAWA) ⁽²⁾ | 7,434 | 16,331 | 16,963 | 7,876 | 3,826 | 52,429 |
| HWRP MBR Project (West Basin/LADWP) ⁽³⁾ | <u>4,000</u> | <u>2,000</u> | <u>800</u> | <u>--</u> | <u>--</u> | <u>6,800</u> |
| Recycled Water Capital Contributions | \$17,434 | \$96,064 | \$80,924 | \$58,329 | \$26,107 | \$278,858 |
| Debt Proceeds ⁽⁴⁾ | 248,237 | 249,211 | 280,831 | 269,282 | 376,455 | 1,424,016 |
| System Revenues | 133,734 | 142,082 | 145,494 | 148,998 | 138,995 | 709,303 |
| Wastewater Service Contract Capital Payments | 10,788 | 11,386 | 11,728 | 12,079 | 12,442 | 58,422 |
| Interest Income | 756 | 1,093 | 1,208 | 1,294 | 1,230 | 5,581 |
| Proceeds from Insurance ⁽⁵⁾ | <u>15,000</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>15,000</u> |
| Total ⁽⁶⁾ | <u>\$425,948</u> | <u>\$499,835</u> | <u>\$520,185</u> | <u>\$489,983</u> | <u>\$555,228</u> | <u>\$2,491,181</u> |

⁽¹⁾ The AWP Project consists of the construction of an up to 18 mgd AWP at the DCTWRP and the conveyance of the purified recycled water to the spreading grounds.

⁽²⁾ The HWRP Advanced Water Purification Facility - Los Angeles World Airports Project consists of the construction of a 1.5 mgd advanced water treatment process at HWRP that will serve the Los Angeles International Airport.

⁽³⁾ The HWRP MBR Pilot Project consists of conducting a pilot study to determine the feasibility of utilizing the nitrification and denitrification membrane bioreactors at HWRP.

⁽⁴⁾ Reflects use of proceeds of bonds, commercial paper notes and/or other indebtedness in the indicated fiscal year.

⁽⁵⁾ Reflects insurance proceeds received as of December 1, 2021 from the July 2021 sewerage overflow at the HWRP. See "REGULATORY REQUIREMENTS AFFECTING OPERATION OF THE SYSTEM – Wastewater Overflows." However, additional insurance proceeds may be received related to this event as the full cost of the claimed damages has not yet been completed.

Source: Bureau of Sanitation

FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM

Sewer Rates and Revenues

General. The City's user fee system consists of a sewer service charge, industrial wastewater surcharge and fees, a sewerage facilities charge, wastewater service contracts and miscellaneous fees, as summarized below. In addition to the foregoing fees and charges, the City finances operations and capital expenditures through interest earnings and miscellaneous revenues. For Fiscal Year 2020-21, combined operating and nonoperating revenues are estimated to be approximately \$769.2 million.

- *Sewer Service Charge:* This charge is based on metered water usage and includes reduced rates for low income households and a compensating surcharge for non-low income households and commercial customers. Revenues from the Sewer Service Charge (“SSC”) constitute the largest component of the System’s total operating revenues, having comprised over 88.3% of total operating revenues of the System annually from Fiscal Years 2016-17 through 2020-21. Revenues from the SSC were approximately 86.89% of revenues for Fiscal Year 2020-21.
- *Wastewater Service Contracts:* The Wastewater Service Contracts with the Entities provide for cost reimbursement of capital and operation and maintenance expenses. Revenues from WSC capital and operation and maintenance payments were approximately 5.76% of revenues for Fiscal Year 2020-21. The capital component of WSC payments is used for pay-go capital projects.
- *Industrial Wastewater Surcharge and Fees:* The Quality Surcharge Fee is designed to recover the costs related to suspended solids (“SS”) and biochemical oxygen demand (“BOD”) strengths above normal or domestic strength values as well as costs for administering and maintaining the surcharge program. Industrial Wastewater Permit Application Fees are designed to recover the cost required to process permit applications for applicable users. Inspection and Control Fees are designed to recover the costs of necessary inspections of permitted users. Significant Industrial User fees recover a portion of additional costs incurred in the monitoring and inspection of certain industrial users subject to EPA categorical pretreatment requirements. Revenues from industrial wastewater surcharge and fees were approximately 2.57% of revenues for Fiscal Year 2020-21.
- *Sewerage Facilities Charge:* The Sewerage Facilities Charge (“SFC”) is designed to recover the cost of the System capacity required by new sewer connections and increases in capacity required by current System users. Revenues from SFC were approximately 1.90% of revenues for Fiscal Year 2020-21.
- *Miscellaneous Fees:* These fees include bonded sewer fees, septage fees, sewer tap fees, and other miscellaneous revenue sources. Revenues from miscellaneous fees were approximately 2.88% of Revenues for Fiscal Year 2020-21.

Pursuant to the Municipal Code of the City, all revenues derived from these user fees and charges are deposited into the SCM Fund and expended “only for sewer and sewage-related purposes, including but not limited to industrial waste control and water reclamation purposes.” All interest earnings on moneys held in the SCM Fund are retained in the Fund. The methodology for developing the fee schedules for the above outlined charges is governed in part by the Municipal Code of the City of Los Angeles and the California State Water Resources Control Board (“SWRCB”), acting on behalf of the USEPA.

Specific revenue calculation requirements and policies for specific components of the City’s sewer charges are described below.

Sewer Service Charge. The City currently imposes a SSC based on a rate of \$5.80 per 100 cubic feet of wastewater discharged into the System. In February 2012, the City Council adopted a series of annual SSC rate increases effective April 6, 2012 and July 1, 2013 of 4.5% and annual rate increases of 6.5% effective each July from July 1, 2014 through July 1, 2020. The current rate is the last of these adopted rates. It is assumed that billable wastewater volume will decrease by approximately 5.25% in

Fiscal Year 2021-22 due to continued impacts related to the COVID-19 pandemic, and will also decrease by a net rate of 0.44% per year from Fiscal Year 2021-22 through Fiscal Year 2023-24 due to water conservation efforts, with no further projected volume reduction starting Fiscal Year 2024-25. See “- Water Usage and Wastewater Volume - General” herein. The SSC provided approximately \$668.4 million in revenue for Fiscal Year 2020-21. This is a 5.8% reduction from what was budgeted and reflects an estimation of the effect of the COVID-19 pandemic on SSC revenues. See “IMPACT OF THE COVID-19 PANDEMIC,” “- Projected Statement of Revenues and Expenditures” and “-Rate Setting Process” herein.

The determination of the SSC for residential customers, including multiple family dwellings up to four units, is based on winter water usage, which is established annually to determine each residential customer’s minimum daily water consumption. Once established, each residential customer’s minimum daily water consumption is presumed to closely approximate the sewer discharge and will be used to compute the SSC for the ensuing Fiscal Year. Qualifying low-income residential customers receive a 31% discount on the first 1,800 cubic feet of bimonthly wastewater volume. Low-income discounts are offset by a 0.84% surcharge applied to the base SSC of all other users who do not qualify as low-income residential customers and by the City’s General Fund. The City’s use of winter water usage determination in calculating SSC is currently subject to litigation. See “LITIGATION – Certain Claims Against the SCM Fund.”

The winter water use method does not apply to commercial customers, including multiple family dwellings of five or more units, industrial, governmental and other non-residential users, who are billed at the rate of \$5.80 per 100 cubic feet of 93% of total metered water usage effective July 1, 2020. The default percentage discharge may be adjusted within a range of 90% to 94% based on LADWP updates to its water conservation policies, which currently includes a mandatory water conservation ordinance that imposes increased rates on water usage above certain specified levels. Prior to April 6, 2012, the default percentage discharge was 90%. The default percentage discharge was subsequently increased to 93% to reflect the use of less irrigation water, which resulted in a higher percentage of the metered water used entering the sewer. Users whose water does not enter the sewer system are not billed for that water usage.

The ten largest customers of the System for Fiscal Year 2020-21 provided approximately 6.9% of the SSC revenue in that year. The following table sets forth the SSC for each of the ten largest customers:

TABLE 9
SEWER SERVICE CHARGE BILLED TO
TEN LARGEST CUSTOMERS
Fiscal Year 2020-21

| User | Customer Type | SSC Billed |
|----------------------------------------|-----------------------------------|-------------------|
| City of Los Angeles | Government | \$15,037,713 |
| Los Angeles Unified School District | School district | 7,448,355 |
| County of Los Angeles | Government | 6,270,386 |
| Phillips 66 Company | Petroleum product refiner | 4,376,810 |
| University of California – Los Angeles | Education | 3,439,602 |
| Anheuser Busch LLC | Brewing Company | 2,500,224 |
| University of Southern California | Education | 2,153,931 |
| ERP Operating Limited Partnership | Property maintenance; real estate | 1,874,360 |
| GK Property Management Co., Inc. | Property maintenance; real estate | 1,601,150 |
| Park La Brea | Property maintenance; real estate | <u>1,600,452</u> |
| Total ⁽¹⁾ | | \$46,302,984 |

⁽¹⁾ Totals may not equal the sum of components due to individual rounding. Total estimated SSC revenue for Fiscal Year 2020-21 was \$668.4 million.

Source: Bureau of Sanitation

Quality Surcharge Fees, Inspection and Control Fees, Industrial Wastewater Permit Application Fees and Significant Industrial User Fees. Pursuant to Section 64.30 of the Municipal Code of the City and the Revenue Program Guidelines for Wastewater Agencies published by the SWRCB, Division of Water Quality, the City assesses a Quality Surcharge Fee (“QSF”) on users of the wastewater system whose wastewater discharge strength, as measured by SS and BOD, is higher than 265 milligrams per liter of BOD and/or 275 milligrams per liter of SS (domestic strength). Treatment of “high strength” wastewater results in additional operating costs, such as the cost of additional chemicals, power and solids storage capacity and final disposal. Since July 1, 2020, the QSF rates have been \$0.604 per pound for BOD and \$0.608 per pound for SS.

The QSF provided approximately \$10.5 million in revenue for Fiscal Year 2020-21. See “-Projected Statement of Revenues and Expenditures” herein.

Most of the QSF revenue is attributable to certain large customers of the System. The largest QSF revenue contributor in Fiscal Year 2020-21 was Juanita’s Foods, Inc., with a total surcharge of \$1,020,500. Grifols Biologicals, Inc. was the second largest contributor with a total surcharge of \$554,536. Baxalta US Inc., Darling International, Inc. and Phillips 66 Company followed with total surcharges of \$509,290, \$304,818, and \$240,743 in Fiscal Year 2020-21, respectively. These five customers accounted for 37.2% of the QSF revenue.

The wastewater strength unit costs applied to QSF customers are also applied to users who participate in the low-strength SSC and “zero-based” QSF program. Under this program, users with one or both wastewater strength parameters below domestic strength values can petition for a “low-strength” SSC rate that includes only the flow component of the unit SSC. These low-strength customers are then billed for the strength component of the SSC by paying a “zero-based” QSF equal to the treatment cost

for the actual concentrations of BOD and SS in their discharge. The current “low-strength” SSC rate is \$4.022.

In addition to the strength charges, when applicable, the City charges three other industrial waste related fees, including an Inspection and Control (“I&C”) Fee for each industrial user (“IU”) in possession of a valid Industrial Wastewater Permit. This fee is designed to recover the cost of inspecting and monitoring IUs and is set by ordinance. The I&C Fee currently ranges from \$85 to \$5,070 per permit per year based on the IU’s industrial classification. The City administers the Industrial Waste Source Control Program to reduce the introduction of all regulated pollutants and prevent the discharge of all prohibited pollutants into the sewer system. All IUs must obtain permits to discharge into the System. For Fiscal Year 2020-21, there are 16,258 local IUs with 16,620 active permits granting them permission to discharge to the System. Permit Application Fees are currently \$616. The City also has established a Significant Industrial User (“SIU”) program for IUs with discharges in excess of 25,000 gallons per day of processed wastewater, and all IUs that are subject to the Federal Categorical Pretreatment Standards established by the US EPA regardless of their discharge amounts. There are 171 SIUs currently regulated by the City. Existing SIU fees range from \$3,843 to \$7,257, depending on the SIU classification. The City estimates that the cost recovered from the Industrial Waste Fees through permit application fee, QSF, I&C, and SIU fees for Fiscal Year 2020-21 is approximately \$19.7 million.

The City has implemented a commercial and industrial grease control ordinance, known as the Fats, Oils and Grease Control Program (“FOG Control Program”). The goal of this program is to reduce the amount of grease that accumulates in sewers, leading to blockages and potential overflows. As of June 30, 2021, approximately 8,673 food service establishments (“FSEs”) were regulated under the FOG Control Program. These businesses are required to obtain an Industrial Wastewater Permit, pay a one-time application fee of \$616 and pay an annual Inspection and Control Fee of \$423. As of June 2020, the City also permits and regulates approximately 1,840 dental offices in the City to control the potential discharge of certain heavy metals into the sewer system. These offices must obtain an Industrial Wastewater Permit and follow best management practices (“BMPs”) for capture of certain elements. Dental offices meeting the BMPs are inspected every five years and businesses not complying with the BMPs are inspected every year and are subject to higher fees.

Sewerage Facilities Charge. The SFC is a fee collected when a customer is initially connected to the City’s sewer system. The “System Buy-In Approach” is used to determine SFCs for new connections and increased usage of the System. The parameters used to calculate the SFC are set forth in an ordinance adopted by the City Council. These parameters permit charges for wastewater strength to be determined separately. A customer’s SFC is based on two measures of wastewater strength, BOD and SS, in addition to the customer’s flow. This approach determines the SFC based on flow and strength proportionate to shares of the equity of the wastewater system, as originally contributed by the existing system customers. The SFC is based on the reproduction cost, less depreciation value of the existing facilities, and the applicable portion of wastewater system reserve funds, minus the outstanding debt of the wastewater system. Revenue from the SFC is dependent on growth and new construction within the City.

The SFC base rates are currently \$344 per 100 gallons per day of flow, \$159 per pound per day of BOD, and \$147 per pound per day of SS. Applying the base rates to the sewage generation factors for typical three and four-bedroom single-family residences results in SFCs of \$950 and \$1,136, respectively.

Pursuant to the Municipal Code of the City, the Board of Public Works is authorized to issue refund credits to qualifying SIUs for unused capacity if: (1) the SFC payment was made and the current occupant of the property for which the SFC payment was made is an SIU, (2) the SIU is also an owner of the property for which the payment was made, (3) the flow from the property is less than the amount for which SFC payment was made, (4) the SIU can demonstrate that the reduced amount of flow was caused

by the use of water conservation practices, pretreatment of discharge, or use of environmentally responsible practices and (5) the SIU, at the time of submission of the written claim, is not delinquent in payment of any monies owed with respect to sewer, water course and drains charges, including SSCs. The City issued no refund credits for Fiscal Year 2020-21 and, as of December 2021, has no authorized future credits. However, future credits are possible if additional SIUs are granted refund credits.

Wastewater Service Contracts. The City provides wastewater conveyance, treatment, and disposal services to 29 local Entities pursuant to Sewage Disposal Contracts and Universal Terms Contracts executed and in force with each Entity. The capital charge component of Wastewater Service Contracts payments is not treated as Revenue to the SCM Fund and is not available to pay debt service on the Senior Lien Bonds or the Subordinate Bonds, including the Series 2022-AB Subordinate Bonds. However, all Sewage Disposal Contracts are subject to renegotiation as described below. See “THE WASTEWATER SYSTEM – Subscribing Agencies” herein.

Historical Sewer Rates and Charges

The following table sets forth the City’s SSC, QSF and SFC from Fiscal Years 2016-17 through 2020-21.

TABLE 10
SEWER CONSTRUCTION AND MAINTENANCE FUND RATES AND CHARGES
Fiscal Years 2016-17 through 2020-21

| Fiscal Year Ended June 30 | Sewer Service Charge⁽¹⁾ | Quality Surcharge Fees⁽²⁾ | | Sewerage Facilities Charge (per 100 gal. avg. flow)⁽³⁾ | Typical Monthly Single Family Residential SSC⁽⁴⁾ |
|--------------------------------------|---------------------------------------------------|-------------------------------------------------|-----------|----------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| | | BOD | SS | | |
| 2017 | \$4.51 | \$0.470 | \$0.472 | \$413.00 | \$34.73 |
| 2018 | 4.80 | 0.500 | 0.503 | 413.00 | 33.60 |
| 2019 ⁽⁵⁾ | 5.11 | 0.533 | 0.536 | 413.00 | 37.81 |
| 2020 ⁽⁵⁾ | 5.44 | 0.567 | 0.571 | 413.00 | 39.41 |
| 2021 ⁽⁵⁾ | 5.80 | 0.604 | 0.608 | 413.00 | 42.34 |

⁽¹⁾ This charge is based on dollars per 100 cubic feet (hcf or hundred cubic feet) of billable wastewater volume. For residential customers, including multiple-family dwellings up to four units, this charge is applied to each customer’s minimum daily average water usage, which is determined during the winter water use period. For commercial customers, including multiple family dwellings of five or more units, this charge is applied to 93% of total metered water usage.

⁽²⁾ The surcharge is based on a rate per pound of biochemical oxygen demand (BOD) or suspended solids (SS) in excess of domestic strength wastewater 265 mg/L BOD and 275 mg/L SS.

⁽³⁾ SFC includes strength charges.

⁽⁴⁾ These figures do not reflect the effects of the low-income assistance program. Amounts based on average billable wastewater volumes of approximately 7.7 hcf per month for Fiscal Year 2016-17, 7.0 hcf per month in Fiscal Year 2017-18, 7.4 hcf per month for Fiscal Year 2018-19, 7.3 hcf per month for Fiscal Year 2019-20 and 7.3 hcf per month for Fiscal Year 2020-21.

⁽⁵⁾ The Typical Monthly Single Family Residential SSC are higher in these years, in part, because the methodology for calculating this figure was updated and is now calculated by dividing the billable wastewater volume for single family residential customers by the total number of service points rather than the number of accounts. A service point is a location where wastewater service is provided. There are more accounts than service points because a service point can have more than one account as customers discontinue and establish service during a year. This results in higher typical charges when the charges are based on service point rather than on accounts.

Source: Bureau of Sanitation

Rate Setting Process

The City is required by the Senior General Resolution to establish rates and charges for the use of the System to produce Net Revenues in each year at least equal to 125% of actual debt service on all Senior Lien Bonds in such year, and by the Subordinate General Resolution to establish rates and charges to produce Net Revenues in each year at least equal to 110% of actual debt service on Senior Lien Bonds and Subordinate Bonds, in such year. The Bureau of Sanitation annually reviews the System's rates and charges as part of the budgetary process. Upon recommendation by the Bureau of Sanitation and City Administrative Officer, the Mayor and City Council may enact rate increases as part of the budgetary process or at any other time, subject to compliance with Proposition 218. See "– Proposition 218" below.

The SSC, the SFC, Industrial Waste Inspection and Control Fees, Bonded Sewer Fees and other miscellaneous fees and charges are established by ordinance adopted by a majority vote of the City Council and approved by the Mayor and become effective after a posting period of 30 days from the date of its publication. The QSF is established by the Board of Public Works and becomes effective after a waiting period of 30 days (absent objection by City Council). The SSC is subject to the notification requirements of Proposition 218, which details the amount and the duration of the proposed rate adjustment. The approval of the City Council is required for the issuance of the Proposition 218 notice. An additional public hearing is held by City Council 45 days following the posting of the Proposition 218 notice, and, with the concurrence of the mayor, the enabling ordinance may be posted. Following a thirty day public review period, the enabling ordinance becomes effective.

The Bureau of Sanitation performs rate evaluations annually. In light of the COVID-19 pandemic and the financial burden imposed on residents and commercial and industrial customers, combined with a consideration of an increase of the solid waste fee (which appears together with SSC's on consolidated customer bills), the City has deferred discussion of future rate adjustments until 2023.

Proposition 218

On November 5, 1996, California voters approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218") that added Articles XIIC and XIID to the California Constitution. Proposition 218 limits the application of property-related fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing. Proposition 218 also extended the initiative power to reducing or repealing local property-related fees and charges, regardless of the date such fees and charges were imposed. Fees and charges for sewer, water and refuse collection services are excepted from the voter approval provisions of Proposition 218 pursuant to Article XIID. Because water and sewer charges are similarly treated under Article XIID, the City believes that the judicial determinations with respect to water charges, as described below, would also apply to sewer charges.

Section 1 of Article XIIC requires majority voter approval for the imposition, extension or increase of general taxes and Section 2 thereof requires two thirds voter approval for the imposition, extension or increase of special taxes. Section 3 of Article XIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power.

"Fees" and "charges" are not expressly defined in Article XIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIC and Article XIID ("SB 919"). However, on July 24, 2006,

the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil (Kelley)* (the “*Bighorn Decision*”) that charges for ongoing water delivery are property-related fees and charges within the meaning of Article XIID and are also fees or charges within the meaning of Section 3 of Article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIC.

In the *Bighorn Decision*, the California Supreme Court did state that nothing in Section 3 of Article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The California Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge. The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to requirements that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after [the effective date of Proposition 218] assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. No assurance can be given that the voters of the City will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the City’s SSC, which are a significant source of Revenues pledged to the payment of debt service on Series 2022-AB Subordinate Bonds.

Notwithstanding the fact that the SSC may be subject to reduction or repeal by voter initiative undertaken pursuant to Section 3 of Article XIIC, the City has covenanted to establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System which meet the requirements of the Resolutions and in accordance with applicable law.

Article XIID defines a “fee” or “charge” as any levy other than an *ad valorem* tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “property-related service” is defined as “a public service having a direct relationship to a property ownership.” In the *Bighorn Decision*, the California Supreme Court held that a public water agency’s charges for ongoing water delivery are fees and charges within the meaning of Article XIID. Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Further, pursuant to *Capistrano Taxpayers Association v. City of San Juan Capistrano*, tiered rates charged to different classes of customers must be calculated based on the actual costs of providing the service. In *Capistrano Taxpayers Association*, the Court of Appeal held that Proposition 218 requires public water agencies to calculate the actual costs of providing water at various levels of usage and that Article XIID, section 6, subdivision (b)(3) of the California Constitution, as interpreted by the California Supreme Court in the *Bighorn Decision* provides that water rates must reflect the “cost of service attributable” to a given parcel. The Court of Appeal further stated that “[w]hile tiered, or inclined rates that go up progressively in relation to usage are perfectly consonant with [A]rticle XIID, section 6, subdivision (b)(3) and Bighorn, the tiers must still correspond to the actual cost of providing service at a given level of usage.”

The City believes that current sewer fees and charges that are subject to Proposition 218 comply with the provisions thereof and that the City will continue to comply with the rate covenant set forth in the Resolutions in conformity with the provisions of Article XIID of the California State Constitution. The City also believes that its sewer connection charges, Industrial Wastewater Permit Application Fees, Inspection and Control Fees and Sewerage Facilities Charges are not subject to the requirements of Article XIID. Should it become necessary to increase the sewer fees and charges above current levels, the City would be required to comply with the requirements of Article XIID in connection with such proposed increase. No assurance can be given that the voters of the City will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the City’s fees and charges related to the System. The City’s sewer rates and charges may be subject to litigation from time to time under Proposition 218, and is currently defending one such challenge in *Hoffman v. City*. See “LITIGATION – Certain Claims Against the SCM Fund” herein.

Implementing legislation pertaining to Proposition 218 may be introduced in the State legislature from time to time. Moreover, Proposition 218 was adopted as a measure that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted to modify Proposition 218. No assurance may be given as to the terms of such legislation or initiatives or their potential impact on the various fees and charges that constitute Revenues of the System, however, there could be a material negative impact on the City’s ability to collect such Revenues.

On November 2, 2010, voters of the State approved Proposition 26 (“Proposition 26”), which amended Article XIIC of the State Constitution to expand the definition of a “tax” so that certain fees and charges imposed by governmental entities are subject to approval by two-thirds of each house of the State Legislature or approval by local voters, as applicable. Proposition 26 lists several exceptions to such definition of “tax”, including property-related fees imposed in accordance with Article XIID (Proposition 218), reasonable regulatory costs of performing investigations and inspections, and charges imposed as a condition of property development. The City believes that Proposition 26 does not apply to any of the user fees imposed by the City because such fees are within various exceptions to Proposition 26.

Water Usage and Wastewater Volume

General. Usage of the System is correlated to the amount of water consumed within its service area. Within the boundaries of the System’s service area, all water is provided by LADWP. The ability of LADWP to operate effectively is affected by the water supply for the City. LADWP’s Los Angeles Aqueduct supply deliveries have, over the years, been reduced to fulfill environmental restoration commitments in the Mono Basin and Owens Valley. As a result, LADWP has increased its purchase of water from The Metropolitan Water District of Southern California (“MWD”), a wholesale water supplier for the Southern California region. LADWP is working with MWD to develop supply reliability for the City and all of MWD’s service area. The adequacy of MWD’s overall future supply reliability is dependent upon maintaining the supply of water available to MWD from the Colorado River and northern

California through the State Water Project's California Aqueduct operated by the State of California Department of Water Resources ("DWR"), and various projects relating to water conservation, recycled water, conjunctive use, water transfers and exchanges, groundwater recovery and seawater desalination.

The adequacy of LADWP's water supply is affected by many factors, including but not limited to annual snowpack and rainfall, population growth, water use, groundwater basin quality and recharge trends, federal and State environmental rules and regulations, environmental restoration commitments, water quality, climate change, and area of origin issues. Sustained drought conditions or low water levels could adversely affect LADWP's water supply, water rates and demand for water services. Additionally, any natural disaster or other physical calamity, including acts of terrorism, earthquake, earth movements, floods, extreme weather or gradual climate change, may have the effect of reducing water availability, quality and/or distribution capabilities of LADWP, impair the financial stability of LADWP, affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such private improvements thus affecting revenues of LADWP through damage to its water system and to the economy of the surrounding area. See "RISK FACTORS – Potential Impact of Drought and Other Risks Relating to the Water Supply" herein.

In recent years the State has experienced serious drought conditions. On January 17, 2014, Governor Edmund G. Brown, Jr. declared a drought state of emergency, asked residents to reduce their water consumption by 20% and directed State agencies to take certain actions to ameliorate the shortage of water. On May 9, 2016, as a result of persistent severe drought conditions in many areas of the State, Governor Brown issued an executive order (the "2016 Executive Order") that, among other things, made permanent many of the temporary conservation measures set forth in the Governor's previous executive orders relating to the drought conditions. On April 7, 2017, as a result of the record rain and snowfall that have occurred in the State between November 2016 and March 2017, Governor Brown declared an end to the drought emergency in California (except with respect to four counties mostly located in the State's agricultural Central Valley). However, the conservation measures put in place by the 2016 Executive Order during the drought are expected to continue.

On October 14, 2014, Los Angeles Mayor Eric Garcetti issued Executive Directive No. 5 setting a goal of reducing per-capita water use by 20% in the City, directing City departments to take certain actions to meet the goal, and asking City residents to take certain voluntary actions. At this time, the City's drought control efforts are expected to continue regardless of whether a drought is ongoing in California.

Beginning in early 2021, the State again began suffering from another drought. The 2021 Water Year (October 2020 through September 2021) was the second driest water year on record. On October 19, 2021, Governor Newsom declared a drought emergency for the entire State. [In response to the current drought, the Governor, the State Water Resources Control Board and cities and water agencies throughout the State (including the City and DWO) could again mandate or adopt various emergency water conservation measures.] **[UPDATE PRIOR TO POS POSTING]**

Wastewater flow contributed by the City's customers was reduced by 6.5% from fiscal year 2014-15 to 2015-16. The reduction of wastewater flow due to indoor water conservation continued in the subsequent two years, but at a reduced rate averaging 1.4% per year. Wastewater flow in the following two years leveled off. Future wastewater flow will be affected by water conservation (although future conservation is assumed to not achieve the same levels of reductions in use that were achieved in fiscal years 2014-15 and 2015-16), but will also be impacted by population growth in the City. In aggregate, it is assumed that the wastewater volume contributed by the City's customers will continue to decrease at net rate of 0.44% per year from Fiscal Year 2021-22 through Fiscal Year 2023-24 due to water conservation efforts. No assurance can be provided that the current drought conditions will not be

prolonged, that the State’s emergency declaration will not be extended to include the City, that mandatory conservation measures will not be imposed on the City, or that the City’s population will not decrease. See “RISK FACTORS - Potential Impact of Drought and Other Risks Relating to the Water Supply” herein.

City Water Supply Plan. The Urban Water Management Plan (UWMP), updated every five years, is the City's plan for water supply and guides the decision-making process to secure a reliable water supply for the City. In addition to, and building on the UWMP and other efforts, the City recently completed the UWMP which is a collaborative approach to integrated water management and aims to further the many opportunities that exist to integrate efforts and programs. The UWMP provides a comprehensive strategy consisting of new project, program and policy opportunities to manage water in a more integrated, collaborative, and sustainable manner. Both plans support the overall City goals for 50% reduction of purchased imported water by 2025, and 50% local water supply by 2035. The 2020 UWMP update, builds upon the goals and progress made in the 2015 UWMP and complies with the new state reporting requirements adding a water shortage contingency plan and the updated city goals to recycle 100% of wastewater by 2035 and increase local water supply. The 2020 UWMP was adopted by the Board of Water and Power Commissioners on May 25, 2021 and was submitted to the California Department of Water Resources on June 23, 2021.

The following table sets forth the number of wastewater system service points that were billed and the billable wastewater volume subject to SSC during the past five fiscal years. A service point is a location where wastewater service is provided. There are more accounts than service points because a service point can have more than one account as customers discontinue and establish service during a year. In addition, there can be multiple service points per account, such as a college campus.

In Fiscal Years 2019-20 and 2020-21, the System experienced some reduction in business and government volumes and increases to large multifamily and small multifamily volumes as a result of the Governor’s stay-at-home orders implemented in March 2020 in response to the COVID-19 pandemic.

TABLE 11
WASTEWATER SYSTEM SERVICE POINTS AND
BILLABLE WASTEWATER VOLUME

| <u>Customer Class</u> | Number of Service Points | | | | |
|------------------------------|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Fiscal Year Ended June 30 | | | | |
| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
| Single Family | 479,069 | 491,229 | 491,145 | 487,605 | 490,384 |
| Small Multifamily | 70,128 | 70,408 | 70,320 | 70,073 | 70,494 |
| Large Multifamily | 40,280 | 40,982 | 40,758 | 40,656 | 40,623 |
| Commercial/Industrial | 52,099 | 53,413 | 52,185 | 51,907 | 51,519 |
| All Others | <u>3,964</u> | <u>3,958</u> | <u>3,961</u> | <u>3,891</u> | <u>3,869</u> |
| Total Customers | 645,540 | 659,990 | 658,369 | 654,132 | 656,889 |

| <u>Customer Class</u> | Billable Wastewater Volume⁽¹⁾ | | | | |
|-------------------------------------------------|-------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Fiscal Year Ended June 30 | | | | |
| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
| Single Family ⁽²⁾ | 44,070 | 40,440 | 43,606 | 42,827 | 43,392 |
| Small Multifamily ⁽²⁾ | 11,558 | 11,955 | 10,958 | 12,234 | 11,339 |
| Large Multifamily ⁽³⁾ | 38,879 | 39,592 | 39,478 | 40,061 | 41,489 |
| Commercial/Industrial ⁽³⁾ | 30,319 | 31,037 | 30,603 | 28,757 | 26,434 |
| All Others | <u>6,128</u> | <u>6,059</u> | <u>5,827</u> | <u>5,508</u> | <u>6,469</u> |
| Total Billable Wastewater Volume ⁽⁴⁾ | 130,954 | 129,083 | 130,472 | 129,388 | 129,122 |

⁽¹⁾ In thousands of hcf (hundred cubic feet).

⁽²⁾ Billable wastewater volume for single family and multi-family dwellings of up to four units are based on each residential customer's minimum average daily water consumption during the winter water use, further reduced by a dry weather compensation factor.

⁽³⁾ Billable wastewater volume for large multifamily, commercial industrial and other customers is generally equal to 93% of total water sales volume. All customers who can demonstrate that the billable wastewater volume is less than 74% of annual water sales are billed at the lower estimate.

⁽⁴⁾ Totals may not equal the sum of components due to individual rounding.

Source: Bureau of Sanitation

For purposes of these projections, the City has assumed a decrease in billable wastewater volume of approximately 5.25% in Fiscal Year 2021-22 due to the continued impacts of the COVID-19 pandemic, including a gradual return of workers to non-remote work and the permanent or prolonged closure of some commercial and industrial customers. The following table sets forth the projected number of service points and billable wastewater volume subject to SSC for Fiscal Years 2021-22 through 2025-26.

TABLE 12
PROJECTED WASTEWATER SYSTEM SERVICE POINTS AND
BILLABLE WASTEWATER VOLUME

| Customer Class | Number of Service Points | | | | |
|-----------------------|----------------------------------|-------------|-------------|-------------|-------------|
| | Fiscal Year Ended June 30 | | | | |
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| Single Family | 490,874 | 491,365 | 491,857 | 492,348 | 492,841 |
| Small Multifamily | 70,564 | 70,635 | 70,706 | 70,776 | 70,847 |
| Large Multifamily | 40,664 | 40,704 | 40,745 | 40,786 | 40,827 |
| Commercial/Industrial | 51,571 | 51,622 | 51,674 | 51,725 | 51,777 |
| All Others | 3,873 | 3,877 | 3,881 | 3,884 | 3,888 |
| Total Customers | 657,546 | 658,203 | 658,862 | 659,520 | 660,180 |

| Customer Class | Billable Wastewater Volume⁽¹⁾⁽²⁾ | | | | |
|-------------------------------------------------|----------------------------------------------------|-------------|-------------|-------------|-------------|
| | Fiscal Year Ended June 30 | | | | |
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| Single Family ⁽³⁾ | 42,326 | 42,140 | 41,954 | 41,996 | 42,038 |
| Small Multifamily ⁽³⁾ | 10,523 | 10,477 | 10,431 | 10,441 | 10,452 |
| Large Multifamily ⁽⁴⁾ | 37,942 | 37,775 | 37,609 | 37,646 | 37,684 |
| Commercial/Industrial ⁽⁴⁾ | 25,614 | 25,501 | 25,389 | 25,414 | 25,439 |
| All Others ⁽⁴⁾ | 6,278 | 6,250 | 6,223 | 6,229 | 6,235 |
| Total Billable Wastewater Volume ⁽⁵⁾ | 122,683 | 122,143 | 121,605 | 121,726 | 121,848 |

⁽¹⁾ In thousands of hcf (hundred cubic feet).

⁽²⁾ Assumes billable wastewater volume will decrease by approximately 5.25% in Fiscal Year 2021-22 due to continued impacts related to the COVID-19 pandemic, and will continue to decline by net rate of 0.44% per year due to water conservation efforts from Fiscal Year 2021-22 through Fiscal Year 2023-24, with no further projected volume reduction starting Fiscal Year 2024-25.

⁽³⁾ Billable wastewater volume for single family and multifamily dwellings of up to four units are based on each residential customer's minimum average daily water consumption during the winter water use period, as adjusted by a dry weather compensation factor.

⁽⁴⁾ Billable wastewater volume for Large Multifamily and Commercial/Industrial is generally equal to 93% of total annual water sales volume, subject to adjustment in connection with LADWP water conservation policy changes. See "– Sewer Rates and Revenues" for a description of adjustments to the default percentage discharge for commercial customers. All customers who can demonstrate that their billable wastewater volume is less than 74% of annual water sales are billed at the lower estimate.

⁽⁵⁾ Totals may not equal sum of components due to individual rounding.]

Source: Bureau of Sanitation

Billing and Collection

Sewer Service Charge. Billing and collection services for the SSC are provided by LADWP. With some limited exceptions, LADWP currently bills residential customers on a bimonthly basis and

commercial and industrial customers on a monthly basis. LADWP prepares bills covering water and electric charges and non-LADWP charges (such as sewer services, solid resources fee and State and local taxes).

Payments are posted in the following order: overdue receivables, customer deposits, water charges, electric charges, State and local taxes, sewer service charges, solid resources fees and bulky item fees. LADWP transfers funds to the SCM Fund on a weekly basis based on expected SSC revenues. The last payment of the month is adjusted for the actual revenues received for the prior month. A monthly billing and collection fee of \$248,400 is also subtracted from one of the weekly payments.

If a customer pays less than the amount billed for a billing period, then the payment is credited to the various utility services in the order set forth in the preceding paragraph. Payments received for the next billing period are credited first to the services in arrears, in the following order: (1) any required deposits, (2) water and electric charges, which are credited proportionally, and (3) the SSC, solid resources fee and bulky item fee, which are also credited proportionally. Remaining payments are then credited to the current services in the order set forth in the preceding paragraph. This procedure in effect brings any customer's delinquent sewer service charges current, prior to applying payments against current charges, including water and electric.

In response to the COVID-19 outbreak, LADWP has implemented a number of temporary measures intended to mitigate operational and financial impacts, and to assist its customers, including: (i) LADWP is widely promoting its existing payment plans and is working on additional extended payment options; and (ii) LADWP has deferred disconnections of water and power services for non-payment during the COVID-19 pandemic. The measures taken by LADWP to date, and additional measures that may be taken in the future, may lead to the increase of uncollected accounts and the decrease of timely payments from its customers. LADWP will resume normal billing and collection processes after the disconnection moratorium expires. In October 2021, the moratorium was extended through March 31, 2022. See "IMPACT OF THE COVID-19 PANDEMIC" for a discussion on the impact of COVID-19 on the City and operations of the System.

Certain LADWP customers receive water and electric service by means of a master meter which may serve multiple dwelling units. Water and electrical service to multiple dwelling unit residences served by a master meter may be disconnected for non-payment. In February 1998, LADWP implemented the Utility Maintenance Program as an alternative to the termination of master-metered service. This program is an extension of the existing Rent Escrow Accounts Program. Tenants who participate in the program have the option of putting their rent into an escrow trust fund established by the Los Angeles Housing Department to maintain utility services until such time as the delinquent bill is paid in full.

Litigation Related to Billing. In September 2013, LADWP launched a new customer information and billing system, designed and implemented by PricewaterhouseCoopers LLP. Immediately following the launch of the new billing system, LADWP experienced numerous billing issues in connection with the new system.

Billing Class Actions: As a result of the problems with the new customer information and billing system, several class action lawsuits were filed against LADWP by ratepayers claiming damages due to certain billing issues. LADWP has reached a settlement in certain of those lawsuits (collectively, the "Settled Billing Class Actions"). On July 20, 2017, the Court granted final approval of the settlement of the Settled Billing Class Actions. LADWP is currently implementing the settlement. The settlement provides for, among other things: (1) a review by LADWP of all customer accounts for accuracy from September 2013 to December 30, 2016; (2) LADWP making whole any customer who was overcharged, regardless of how small the error, resulting from the failed implementation of the customer information

and billing system; (3) LADWP setting benchmarks and key performance indicators to improve its customer service (an independent monitor reviewed the progress made and reported to the Court every three months through October 2020, at which time his work was completed); and (4) LADWP adopting an amendment to its “Rules Governing Water and Electric Service,” which generally reduced the number of months that “back-billing” (defined as the submission of a bill by LADWP to an accountholder that includes more than one billing cycle where the prior billing statements had not been previously billed to the accountholder) can occur to no more than six months for residential and commercial customers who meet certain characteristics.

As of [October 2021], LADWP had issued refunds of [\$107] million, of which [\$13.2] million was refunded from the LADWP Water System, [\$66.5] million was refunded from the Power System, and [\$27.3] million was related to non-LADWP charges, including City services such as refuse as well as taxes such as utility users’ tax and state energy surcharges. City services include an estimated \$6.6 million of sewer services.

As of [October 2021], LADWP had completed the majority of the credits and refunds for accounts associated with the settlement. Accounts remaining to be resolved include those that have been appealed to a court-appointed, independent special master and those that class counsel contends may be entitled to credits or refunds. LADWP has ongoing obligations to comply with its “Rules Governing Water and Electric Service,” which may result in additional credits being applied. LADWP has provided credits and refunds to affected customers relating to the amendment through [October 2021] of approximately [\$39.5] million, of which approximately [\$3.4] million was allocated to the System.] **[Update prior to POS posting with December 31 numbers]**

LADWP also implemented operational changes that will allow consistent compliance with the benchmarks and key performance indicators identified in the settlement.

Additionally, new class counsel Brian Kabateck hired his own utility expert, Concentric Utility Advisors (“Concentric”), to review the actions taken pursuant to the settlement. In Phase I of its review, Concentric reviewed 16 months of billing data and concluded that, with the exception of a small number of manual errors, the terms of the settlement related to incorrect billing had been reasonably met and there were no identified “remaining systemic electric billing issues, and no significant issues (manual or systemic) associated with water, sewer, or refuse” in the accounts reviewed. Concentric is in the process of its Phase II review of the remaining settlement classes.

The City is in the process of finalizing the settlement and all related actions in connection with the Settled Billing Class Actions.

There are two remaining class action lawsuits, *Morski v. City of Los Angeles* by, and through, the Los Angeles Department of Water & Power (the “Morski Action”), and *Macias, et al. v. City of Los Angeles* by, and through, the Los Angeles Department of Water and Power (the “Macias Action”). These cases allege violations beyond the problems associated with the billing system. The *Morski Action* generally alleges that LADWP’s practice of tiered billing violates applicable City ordinances insofar as LADWP bases such tiered billing on anything other than regular actual monthly meter reads (“Non-Monthly Tiered Billing”). The *Macias Action* includes the Non-Monthly Tiered Billing claims, and also alleges (1) “backbilling claims,” (2) “corrected backbilling” and (3) that LADWP violated California’s Bane Act by threatening customers with termination of their utility services based on erroneous charges. Finally, the *Macias Action* broadly alleges claims that overlap with those settled in the Settled Billing Class Actions. Although the City is not able to estimate the potential financial exposure to the City due to these cases, the City does not anticipate that these cases would result in substantial financial exposure to the SCM Fund.

Federal Lawsuits Arising From The Billing Class Actions: The City was sued in two class action lawsuits, *Bradshaw v. City of Los Angeles*, et al. and *Jones v. City of Los Angeles*, et al., Case No. 2:20-cv-11502, arising out of alleged issues associated with the settlement of the Billing Class Actions, including implicating potential collusion between former special counsel for the City and former class counsel in *Jones v. City of Los Angeles*, Los Angeles Superior Court Case No. BC577267, one of the Settled Billing Class Actions. These cases are at a stage where it is not possible for the City to estimate the potential financial exposure to the City, but the City does not anticipate a material adverse impact to the SCM Fund resulting therefrom.

Federal Investigation. Federal investigators are currently conducting an investigation of LADWP. LADWP is cooperating fully with the investigators in connection with their investigation. LADWP has been requested by the investigating agency to exercise confidentiality with respect to the investigation. LADWP can generally state that the search warrants served by the Federal Bureau of Investigation on LADWP and the Office of the City Attorney in July 2019 relate to issues that have arisen over the class action litigation and settlement regarding LADWP's billing system.

On November 29, 2021, as a result of this investigation, the United States Attorney filed an Information and a Plea Agreement in the matter entitled *United States of America v. Paul O. Paradis*, Case No. 2:21-cr-00540-SB. Paradis, who was former special counsel to the City in the matter entitled *City of Los Angeles v. PricewaterhouseCoopers*, admitted to, among other things, receiving a \$2.2 million "kick-back" payment from former class counsel in the Settled Billing Class Actions. The charging documents also allege that (1) Paradis obtained a \$30 million contract with LADWP for his company Aventador through bribing two then-unnamed LADWP officials (a former General Manager and former Board member), and (2) some unnamed City personnel were aware of and participated in the alleged collusion related to the settlement of the Settled Billing Class Actions. The City denies it had any such knowledge of collusion. The investigation is ongoing and additional charging documents may be filed against other individuals. [As of December 14, 2021, three individuals have pled guilty to bribery, making false statements, and other crimes in connection with the federal investigation: Paul O. Paradis (former Special counsel for the City); David Wright (former General Manager of LADWP); and David Alexander (former head of IT Security for LADWP).] **[TO BE UPDATED PRIOR TO POS POSTING]**

Based on the City's understanding of the nature of the investigation, the City does not anticipate that such investigation would have any material adverse impact on the SCM Fund.

SSC Revenues. LADWP is the billing agent of the SCM Fund for its SSC revenues. As such, LADWP maintains the records of all SSC accounts receivable, both collectible and uncollectible. Included in these records are the SCM Fund uncollectable SSC receivables arising from the transition to the new billing system, but are waiting to be written off until resolution of the settled lawsuits.

The total SSC accounts receivable were \$112.9 million as of June 30, 2020 and \$155.2 million as of June 30, 2021.

The Fiscal Year 2019-20 revenue of \$660 million was a 6.0% increase from 2018-19. The Fiscal Year 2020-21 revenue of \$668.4 million was a 1.2% increase from 2019-20. The revenue increase is lower than the 6.5% budgeted annual rate increase due to the economic consequences of COVID-19. SSC revenue projections assume a decrease in wastewater volume of approximately 5.25% in Fiscal Year 2021-22 due to continued impacts related to the COVID-19 pandemic, and continued net declines due to water conservation efforts of 0.44% annually from Fiscal Year 2021-22 through Fiscal Year 2023-24, with no further projected volume reduction starting Fiscal Year 2024-25. The Bureau of Sanitation continues to work with LADWP to refine projections of the impact of water conservation on the SSC revenues.

Certain information regarding SSC Account Receivable for Fiscal Years 2016-17 through 2020-21 is provided in Table 1. The following table sets forth the SSC budgeted, billed, and collected amounts for Fiscal Years 2016-17 through 2020-21:

TABLE 13
SSC REVENUE
BUDGET, BILLINGS, AND REMITTANCE
Fiscal Year Ended June 30
(in thousands)

| Fiscal Year | Budgeted | Billed | Remitted | Billed as a Percent of Budget | Remitted as a Percent of Billed⁽¹⁾ |
|---------------------|------------------------|------------------------|------------------------|------------------------------------------|----------------------------------------------------------|
| 2017 ⁽²⁾ | \$532,395 | \$565,789 | \$555,309 | 106.3% | 98.1% |
| 2018 | 561,010 | 594,365 | 589,046 | 105.9 | 99.1 |
| 2019 | 626,791 | 640,189 | 622,973 | 102.1 | 97.3 |
| 2020 | 665,533 | 675,639 | 660,495 | 101.5 | 97.8 |
| 2021 | 709,501 ⁽³⁾ | 718,921 ⁽³⁾ | 668,421 ⁽³⁾ | 101.3 | 93.0 |

⁽¹⁾ LADWP's remittance rate of SSC revenue varies from year to year and may exceed 100% because of differences in average time taken by customers to pay their bills and differences in the estimation used to calculate expected revenue versus actual revenue.

⁽²⁾ LADWP previously halted their collection process once it was determined that there were significant programming issues in their new billing system. Remittances in Fiscal Year 2016-17 reflect collection of prior years' accounts receivable due to resumption of LADWP's collections measures consistent with their stated collections policies.

⁽³⁾ In response to the COVID-19 pandemic, LADWP implemented a number of temporary measures to assist its customers, including a moratorium on disconnection due to nonpayment. LADWP will resume normal billing and collection processes after the disconnection moratorium expires. The disconnection moratorium is assumed to be in effect through March 2022. The budget for Fiscal Year 2020-21 was not adjusted to reflect the impact of the disconnection moratorium.

Source: Bureau of Sanitation

Sewerage Facilities Charge. The SFC is collected along with Bonded Sewer Fees and Tapping Fees as part of the building permit and sewer connection permit application procedures. Permits are not granted until the SFC payment has been received. The SFC, Bonded Sewer Fees, and Tapping Fees are deposited by the Department of Public Works directly into the SCM Fund as received by the City.

Industrial Waste Charges. Billings for QSF, Inspection and Control Fees and SIU Fees are prepared by the Bureau of Sanitation, Industrial Waste Management Division. All customers are billed quarterly in arrears except for dental offices that are billed annually in advance. Payments are remitted to the Department of Public Works and deposited directly into the SCM Fund. All fees that are not paid by the end of the month in which they are due become delinquent and a delinquency charge of 2.5% (minimum \$10) of the principal balance owed is added to the amount due. The delinquent dates are February 1, May 1, August 1 and November 1. Delinquent accounts are referred to a collection agency or to the Office of Finance for collection activities within 45 days of the delinquent date.

TABLE 14
INDUSTRIAL WASTE CHARGES (QSF, INSPECTION AND CONTROL FEES, SIU FEES)
BUDGET, BILLINGS, AND REMITTANCE
Fiscal Year Ended June 30
(in thousands)

| Fiscal Year | Budgeted | Billed | Remitted | Remitted as a Percent of Budget | Remitted as a Percent of Billed⁽¹⁾ |
|--------------------|-----------------|---------------|-----------------|--------------------------------------------|----------------------------------------------------------|
| 2017 | \$19,900 | \$17,711 | \$19,607 | 98.5% | 110.7% |
| 2018 | 19,144 | 17,097 | 17,221 | 90.0 | 107.7 |
| 2019 | 20,685 | 18,485 | 18,632 | 90.1 | 100.8 |
| 2020 | 18,600 | 20,499 | 20,185 | 108.5 | 98.5 |
| 2021 | 20,885 | 19,457 | 19,873 | 94.5 | 101.4 |

⁽¹⁾ Remitted as Percent Billed may be over 100% because the amount remitted may be higher due to payment adjustments, penalty payments, etc.

Source: Bureau of Sanitation

Wastewater Service Contract Charges. Billings under the Universal Terms Contracts and the older Sewage Disposal Contracts are prepared annually by the Department of Public Works according to the contractual obligation of each Agency or Entity (as described in “THE WASTEWATER SYSTEM – Subscribing Agencies” herein) to pay its contractual share of operation and maintenance (“O&M”) expenses and capital costs of the System. Allocations of O&M expenses and capital costs are prepared by the Bureau of Sanitation. Under contractual provisions, O&M and capital bills for those Agencies with Universal Terms Contracts are payable bimonthly during the year in which they receive service, with a later reconciled bill to adjust for actual costs. For other Entities, O&M and capital bills are payable in arrears. Some of the Sewage Disposal Contracts do not specify the timing of capital bills and, in nearly all such cases, they are billed semi-annually in arrears.

The City has certain billed accounts receivable with respect to these charges. The Universal Terms Contracts between the City and most Agencies allow the City to collect late payment charges. Late payment charges are not authorized under the older contracts, which provide less than 1% of the total billings to the Agencies and other Entities. If payment is not made by the contractual due date, overdue notices are sent and telephone contact made to determine why payment was not made. The City has not terminated service when an Entity failed to pay these charges because of the essential nature of the service provided to the Entities by the System. In those cases where late payments do occur, the City has imposed late charges sufficient to offset any lost revenues as a result of such delinquencies.

Disagreements over flow and strength monitoring of the City of Burbank’s wastewater are being addressed with the joint hiring of a consultant to investigate the differences. Because Burbank indicated that not all of its comments were addressed to its satisfaction, the City and Burbank have met on numerous occasions to discuss their differences. Negotiations resulted in Burbank submitting a partial payment of \$12,449,566 in Fiscal Year 2018-19, representing a portion of the disputed amount for service in Fiscal Year 2009-10 to 2018-19, \$8,717,828 in Fiscal Year 2019-20 and \$2,301,089 in Fiscal Year 2020-21. The remaining unpaid balances and estimated billings total approximately \$18.1 million. Burbank has indicated that it will continue to pay the City based on its calculation of the flow and strength of its wastewater discharged to the System. The City continues work with Burbank to resolve the remaining disputed amount, which will include additional monitoring of wastewater from the City and Burbank. At this time, the City does not have sufficient data to determine when the issue will be resolved or the longer-term impact to the SCM Fund.

The City of Glendale and the City are partners in the Los Angeles-Glendale Water Reclamation Plant (LAGWRP) and, though the City operates the plant, each is responsible to pay half the cost of capital projects at the plant, pursuant to two cost-sharing agreements between the two cities. Glendale has objected to paying half of the estimated cost increases for nine projects. The construction costs have increased from the \$43.1 million provided in January 2018 to \$133.89 million as of December 2021. The agreement requires that Glendale approve of capital expenditures proposed by City or they may decline to pay their share. The cities are currently negotiating the cost sharing.

Labor and Employment

Several City departments and bureaus contribute labor and employee time to the operation of the System. See “ORGANIZATION AND MANAGEMENT OF THE SYSTEM” herein. The primary labor and employment budget for the System is that of the Bureau of Sanitation, whose authorized workforce is as shown in the following table:

TABLE 15
BUREAU OF SANITATION AUTHORIZED POSITIONS⁽¹⁾

| Fiscal Year Ending June 30 | Authorized Number of Positions⁽¹⁾⁽²⁾ |
|---------------------------------------|------------------------------------------------------------|
| 2018 | 1,387 |
| 2019 | 1,396 |
| 2020 | 1,404 |
| 2021 | 1,412 |
| 2022 | 1,416 |

⁽¹⁾ As authorized in the Adopted Budget. Represents permanent (“regular”) positions, funded by the SCM Fund, and excludes temporary personnel (also referred to as “resolution authority positions”).

⁽²⁾ Consistent with the numbers reflected for Fiscal Years 2020-21 and 2021-22, the numbers were restated for Fiscal Years 2017-18 through 2019-20 include positions assigned to the Clean Water Program and other budgetary programs within the Bureau of Sanitation, but which support the System and are funded by the SCM Fund.

Source: Office of the City Administrative Officer

Bureau of Sanitation’s workforce is 99% unionized under a number of separate labor organizations that collectively refer to themselves as the Coalition of Los Angeles City Unions as well as the non-coalition Engineers and Architects Association. The City has memoranda of understanding that are effective through either Fiscal Year 2022-23 or 2023-24 with all unions that are part of Bureau of Sanitation. The System has not experienced any work stoppage over the past five years and does not currently anticipate any work stoppage. See APPENDIX A – “CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES– Budget and Financial Operations – Labor Relations” attached hereto.

Retirement and Other Postemployment Benefits Contributions

The City’s annual required contribution to the Los Angeles City Employee’s Retirement System (“LACERS”) includes amounts related to the retirement benefits and other postemployment healthcare benefits (“OPEB”) of City employees who work on the System, which are attributable to the SCM Fund. See APPENDIX A – “CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES – Budget and Financial Operations – Labor Relations” attached hereto. Such System-related expenses are first paid from the City’s General Fund and subsequently reimbursed from the SCM Fund through application of a Cost Allocation Plan (“CAP”), which is subject to approval each year by the Federal

government in connection with on-going grant compliance procedures. The CAP is based on historical data from the prior two years. Annual OPEB amounts attributable to the SCM Fund are included in the retirement calculations for the CAP rates applicable to the System.

The System's percentage share of such costs may increase or decrease from year to year depending on, among other things, the number of covered employees attributable to the SCM Fund, the overall number of City employees and the retirement benefits accruing to the respective employees. The following table sets forth retirement and OPEB contributions from the SCM Fund for Fiscal Years 2017-18 through 2021-22.

TABLE 16
SEWER CONSTRUCTION AND MAINTENANCE FUND
RETIREMENT AND OPEB CONTRIBUTIONS
(\$ in thousands)

| Fiscal Year Ended June 30 | Total City Contribution⁽¹⁾ | Wastewater System Contribution⁽²⁾ | Wastewater System Percentage |
|--------------------------------------|--------------------------------------------------|---------------------------------------------------------|-----------------------------------------|
| 2018 | \$450,806 | \$33,277 | 7.38% |
| 2019 | 488,400 | 35,833 | 7.34 |
| 2020 | 559,299 | 37,516 | 6.71 |
| 2021 | 532,833 | 56,216 | 10.55 |
| 2022 | 601,450 | 56,869 | 9.46 |

⁽¹⁾ Total City Contributions are for departments are made to the Los Angeles City Employees' Retirement System and controlled by City Council.

⁽²⁾ Wastewater System Contribution, for budget purposes, is based on the City's Cost Allocation Plan, which is subject to approval each year by the Federal government in connection with on-going grant compliance procedures and which is based on actual historical data that lags by two years and is reconciled by an adjustment factor. For Fiscal Years 2017-18, 2018-19, and 2019-20, the Wastewater System Contribution excludes retirement and OPEB contributions for labor supporting the System that is budgeted in other City departments. Beginning in Fiscal Year 2020-21, the Wastewater System Contribution includes funding for positions budgeted in the Bureau of Sanitation and other City departments that support the System.

Source: Office of the City Administrative Officer

The City is generally projecting increases to the amount it will contribute to LACERS over the next three years. See APPENDIX A – "CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES – Budget and Financial Operations – Los Angeles City Employees' Retirement System ("LACERS")" attached hereto for a description of the City's historical and current projected pension and OPEB contributions. The System's projected share of the City's projected contributions to LACERS are included in the pro forma statement of financial operations included herein.

The City's current retirement contribution projections, as set forth in Appendix A, are based on, among other things, information provided by LACERS' actuary and LACERS' current actuarial assumptions, which are based on the results of LACERS' most recent triennial experience study. Actual retirement and OPEB costs attributable to the SCM Fund may be more or less than and may vary materially from the amounts included in the projections for the System. The System has experienced similar fluctuations in expenditures in the past and will make adjustments to revenues and expenditures as necessary to address any such changes in expenditures. There can be no assurance that the retirement and OPEB costs attributable to the SCM Fund will not materially increase.

Cash Receipts and Disbursements

The following table sets forth unaudited cash receipts and disbursements of the SCM Fund for Fiscal Years 2016-17 through 2020-21. Amounts in Table 17 are presented on a cash basis and differ from amounts in the Debt Service Compliance Report for the Fiscal Year ended June 30, 2021 (with Independent Auditor's Report Thereon) which were prepared on an accrual basis. See Appendix E hereto.

TABLE 17
SEWER CONSTRUCTION AND MAINTENANCE FUND
SUMMARY OF OPERATIONS AND DEBT SERVICE COVERAGE
Cash Basis (Unaudited) (in thousands)
Fiscal Year Ended June 30

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------------------------------|------------------|------------------|------------------|------------------|------------------------|
| OPERATING RECEIPTS | | | | | |
| Sewer Service Charge | \$555,309 | \$589,046 | \$622,973 | \$660,495 | \$668,421 |
| Sewerage Facilities Charge | 18,640 | 16,468 | 15,322 | 16,082 | 14,603 |
| Industrial Waste Fees ⁽¹⁾ | 19,607 | 17,221 | 18,632 | 20,185 | 19,739 |
| Wastewater Service Contracts ⁽²⁾ | 24,303 | 19,975 | 33,388 | 26,608 | 29,461 |
| Interest Income ⁽³⁾ | 3,737 | 4,700 | 6,179 | 5,000 | 1,671 |
| Other | 3,066 | 4,275 | 3,217 | 3,127 | 3,086 |
| Total Operating Receipts | \$624,662 | \$651,685 | \$699,711 | \$731,497 | \$736,981 |
| Non-Operating Revenues ⁽⁴⁾ | 14,321 | 33,998 | 26,645 | 10,894 | 32,262 |
| TOTAL REVENUES | \$638,983 | \$685,683 | \$726,356 | \$742,391 | \$769,243 |
| Less: Operating Expenses ⁽⁵⁾ | 288,730 | 308,191 | 345,127 | 387,204 | 318,674 ⁽⁶⁾ |
| NET REVENUES | \$350,253 | \$377,492 | \$381,229 | \$355,187 | \$450,569 |
| DEBT SERVICE | | | | | |
| Senior Debt Service | \$85,573 | \$78,707 | \$54,974 | \$58,806 | \$73,634 |
| Subordinate Debt Service | | | | | |
| Wastewater System Commercial Paper Notes | — | — | 143 | — | — |
| Variable and Fixed Rate Subordinate Bonds | 106,329 | 127,700 | 153,754 | 159,205 | 136,667 |
| SRF Clean Water Loan | 13,605 | 13,605 | 13,605 | 13,605 | 13,605 |
| TOTAL DEBT SERVICE | \$205,507 | \$220,012 | \$222,476 | \$231,616 | \$223,906 |
| NET REVENUES AFTER DEBT SERVICE | \$144,746 | \$157,480 | \$158,753 | \$123,571 | \$226,663 |
| Debt Service ⁽⁷⁾ | \$191,902 | \$206,407 | \$208,871 | \$218,011 | \$210,301 |
| Senior Debt Service Coverage | 4.09 | 4.80 | 6.93 | 6.04 | 6.12 |
| Debt Service Coverage ⁽⁷⁾ | 1.83 | 1.83 | 1.83 | 1.63 | 2.14 |
| NON-OPERATING REVENUES | | | | | |
| Wastewater Service Contracts ⁽⁸⁾ | 22,343 | 13,642 | 21,532 | 18,833 | 14,836 |
| FEMA Reimbursement | 27,495 | 3,330 | — | — | — |
| Interest Income on Bonds- Construction Funds | — | 2,981 | 4,123 | 4,220 | 400 |
| Total Non-Operating Revenues | \$49,838 | \$19,953 | \$25,655 | \$23,053 | \$15,236 |
| NON-OPERATING EXPENSES | | | | | |
| Deposits to Escrow Accounts ⁽⁹⁾ | \$ 13,170 | \$ — | \$ — | \$ — | \$ — |
| BALANCE AVAILABLE⁽¹⁰⁾ | \$181,414 | \$177,433 | \$184,408 | \$146,624 | \$241,899 |

-
- (1) Includes QSF, Permit Application Fees, Inspection and Control Fees, and SIU Fees.
- (2) Operations and maintenance portion of WSC payments (excluding capital charge component, which is not treated as Revenues). Most of the revenue increase from Fiscal Year 2017-18 to Fiscal Year 2018-19 is due to the City of Burbank's \$9 million partial payment of service charges previously invoiced by the City but not previously paid because of an ongoing billing dispute. An additional portion of the revenue increase is because the invoicing and payment of the City of Glendale's share of the LAGWRP cost was delayed from Fiscal Year 2017-18 to Fiscal Year 2018-19.
- (3) Interest on all SCM funds except construction funds. Amounts in the SCM Fund are invested separately from amounts from the City's General Fund.
- (4) Includes non-operating revenues considered in the debt service coverage calculation as defined in the Senior General Resolution. After the April 19, 2017 adoption of the Refundable Credits Amendments, the BABs and RZEDB credits are not included in the non-operating revenues considered in the debt service coverage calculation, but rather are netted out of the amount of interest coming due during this period.
- (5) Operating expenses for the 12 months ending on June 30, 2017 through 2021 include SSC refunds of approximately \$209,000, \$264,000, \$64,000, \$329,000 and \$8,000 respectively.
- (6) Operating expenses for Fiscal Year 2019-20 increased in part due to an unusually high expense in liability claims (approximately \$19.3M) due to multiple settlements. See APPENDIX A – "CITY OF LOS ANGELES INFORMATION STATEMENT – BUDGET AND FINANCIAL OPERATIONS – Risk Management and Retention Programs." Operating expenses decreased in Fiscal Year 2020-21 due to a hiring freeze related to the COVID-19 pandemic. Additionally, there were fewer emergency sewer projects during Fiscal Year 2020-21.
- (7) Excludes debt service on the State Revolving Fund loan, which is subordinate to the Senior Lien Bonds, the Subordinate Bonds and the Wastewater System Commercial Paper Notes.
- (8) This category includes only the capital portion of WSC payments.
- (9) This category reflects release of money held in a debt service reserve fund in connection with the refunding of certain bonds.
- (10) Amount represents surplus Revenues equal to the net operating revenues after debt service and non-operating revenues available for capital costs or other purposes. This category does not include prior fiscal year's ending fund balance or interest on all construction funds.

Source: Office of Accounting.

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Sewer Construction and Maintenance Fund Cash Balances

The following table sets forth the cash balances of the Sewer Construction and Maintenance Fund's unrestricted and restricted funds.

TABLE 18
SEWER CONSTRUCTION AND MAINTENANCE FUND
CASH BALANCES IN ALL FUNDS (UNAUDITED)⁽¹⁾
(in thousands)

| | As of June 30 | | | | |
|-----------------------------------------------------|------------------|------------------|------------------|------------------|--------------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| UNRESTRICTED FUNDS ⁽²⁾ | | | | | |
| Sewer Construction and Maintenance ⁽³⁾ | \$31,602 | \$97,540 | \$49,635 | \$29,455 | \$101,245 |
| Sewer Operation and Maintenance ⁽⁴⁾ | 48,110 | 10,206 | 15,997 | 21,670 | 39,140 |
| Sewer Capital ⁽⁵⁾ | <u>56,152</u> | <u>18,749</u> | <u>11,831</u> | <u>13,658</u> | <u>27,478</u> |
| Total Unrestricted Funds | \$135,864 | \$126,495 | \$77,463 | \$64,783 | \$167,863 ⁽⁶⁾ |
| RESTRICTED FUNDS ⁽⁷⁾ | | | | | |
| Operation and Maintenance Reserve ⁽⁸⁾ | \$39,590 | \$41,495 | \$45,741 | \$47,255 | \$48,968 |
| Insurance and Liability Claims Funds ⁽⁹⁾ | <u>3,000</u> | <u>3,000</u> | <u>3,000</u> | <u>3,000</u> | <u>3,000</u> |
| Subtotal—Restricted Funds Available for | | | | | |
| Operation and Maintenance | \$42,590 | \$44,495 | \$48,741 | \$50,255 | \$51,968 |
| Emergency Fund | \$5,026 | \$5,017 | \$5,008 | \$5,008 | \$5,008 |
| Construction Funds ⁽¹⁰⁾⁽¹¹⁾ | 262,538 | 168,576 | 281,725 | 93,274 | 45,853 |
| Reserve Funds ⁽¹²⁾ | 102,413 | 103,807 | 102,310 | 102,310 | 100,547 |
| Debt Service Funds | 20,743 | 20,784 | 19,562 | 20,826 | 26,052 |
| Rebate Funds | <u>366</u> | <u>530</u> | <u>167</u> | <u>169</u> | <u>170</u> |
| Total Restricted Funds | \$391,086 | \$298,714 | \$408,772 | \$221,587 | \$229,598 |
| TOTAL FUNDS | <u>\$569,540</u> | <u>\$469,704</u> | <u>\$534,976</u> | <u>\$336,625</u> | <u>\$397,461</u> |

- (1) All the funds listed below are considered accounts of the SCM Fund pursuant to the Subordinate General Resolution and the supplemental resolutions related thereto, and reported within a single SCM Fund in the City's audited financial statements.
- (2) Reported under current assets as "unrestricted" cash and pooled investments held by the City Treasurer in the Statements of Net Position of the separately prepared audited financial statement of the SCM Fund and valued at market value rather than the original cost value shown in Table 18 above.
- (3) All Revenues are deposited into this fund maintained in the City's Treasury for transfer to other funds and accounts of the SCM Fund.
- (4) The fund established by the City to receive transfers from its SCM Fund for payment of O&M expenses. The amounts reported above are residual after paying O&M expenses.
- (5) The fund established by the City to receive transfers from its SCM Fund for payment of pay-as-you-go capital. Additionally, grant receipts and WSC capital payments are deposited into this account. The amounts reported above are residual after paying pay-as-you-go capital.
- (6) The increase in cash balance from Fiscal Year 2019-20 to Fiscal Year 2020-21 is due to a decline in expenditures, such as salaries and other operating expenditures. Additionally, due to the COVID-19 pandemic, the City paused the award of some capital improvement projects for several months while evaluating the impact of the pandemic on revenues and the construction industry, which resulted in lower expenditures in such Fiscal Year.
- (7) Reported by the City Treasurer in the Statements of Net Position held of the audited financial statement of the SCM Fund in current assets and non-current assets as "restricted" cash and pooled investments and at fair market value rather than the original cost value shown in Table 18 above.
- (8) Pursuant to the Subordinate General Resolution, the City has covenanted to maintain an Operation and Maintenance Reserve in the amount needed to provide for the System's operation and maintenance expenses for 45 days.
- (9) Amounts in these funds represent an Operations and Maintenance Reserve allocated for insurance and liability claims.
- (10) These funds are funded with proceeds of the Senior Lien Bonds, Subordinate Bonds, and Wastewater System Commercial Paper Notes.
- (11) The construction funds were reported as unrestricted in Fiscal Year 2016-17 due to a change in the City's financial reporting practices and accounting. However, in Fiscal Year 2017-18 and thereafter, the City reported the construction funds as restricted, to reflect the actual use of these funds.
- (12) Funded with proceeds of the Senior Lien Bonds.

Source: Office of Accounting and Office of the City Administrative Officer, from records of the City Controller

Property, Plant and Equipment

Expenditures for property, plant and equipment of the System (at cost) was \$[] billion in Fiscal Year 2020-21, representing an approximate [34]% increase in investment in the last ten Fiscal Years. Net debt represented approximately []% of net plant as of June 30, 2021, which is down from a high of approximately 71% as of June 30, 1992. The following table sets forth the City's expenditures on property, plant and equipment and the balances in the total debt attributable thereto for the last ten Fiscal Years.

TABLE 19
SEWER CONSTRUCTION AND MAINTENANCE FUND
GROWTH IN PROPERTY, PLANT AND EQUIPMENT
(in thousands)

| Fiscal Year Ended June 30 | Property, Plant and Equipment (at cost) | Net Property, Plant and Equipment (depreciated) | Total Debt | Net Debt⁽¹⁾ | Net Debt as Percent of Net Plant |
|--------------------------------------|------------------------------------------------------------|--------------------------------------------------------------------|-----------------------|-----------------------------------|-------------------------------------------------|
| 2012 | \$6,804,411 | \$3,833,969 | \$2,507,195 | \$2,404,503 | 62.72% |
| 2013 | 7,000,335 | 3,863,746 | 2,582,893 | 2,484,657 | 64.31 |
| 2014 | 7,176,030 | 3,895,191 | 2,611,225 | 2,509,142 | 64.42 |
| 2015 | 7,415,073 | 3,990,863 | 2,852,209 | 2,744,506 | 68.77 |
| 2016 | 7,660,074 | 4,086,529 | 2,750,730 | 2,641,228 | 64.63 |
| 2017 | 7,954,118 | 4,226,698 | 2,920,128 | 2,817,566 | 66.66 |
| 2018 | 8,278,826 | 4,382,890 | 2,811,090 | 2,707,760 | 61.78 |
| 2019 | 8,600,201 | 4,528,452 | 2,964,625 | 2,862,122 | 63.20 |
| 2020 | 8,930,918 | 4,667,165 | 2,843,975 | 2,740,511 | 58.72 |
| [2021] | | | | | |

⁽¹⁾ Total debt net of balances in debt service reserve funds.

Source: City of Los Angeles, Office of Accounting

Projected Statement of Revenues and Expenditures

The following table sets forth a projected operations statement based on revenue and expenditure projections developed by the Bureau of Sanitation. The projected financial operations statement includes a number of assumptions, including a decrease in billable wastewater volume of approximately 5.25% in Fiscal Year 2021-22 due to the continued impacts of the COVID-19 pandemic, including a gradual return of workers to non-remote work and the permanent or prolonged closure of some commercial and industrial customers. The projections further assume that the number of customers will remain approximately the same as it is at this time and that sewage volume will decrease at a net annual rate of 0.44% from Fiscal Years 2021-22 through 2023-24, with no further reductions in volume thereafter. The projected annual volume reduction through Fiscal Year 2023-24 results from water conservation measures enacted due to the previous drought in the State and no significant additional significant conservation related to the current drought. The projections assume 5% rate increases effective on January 1, 2024, July 1, 2024 and July 1, 2025, but no rate increases have been proposed or considered by City Council, and any rate increases will be subject to notice and public hearing in compliance with Proposition 218. See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Rate Setting Process” and “– Proposition 218” herein. The achievement of certain results or other expectations contained in the following table involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements reflected in the following table to be materially different from any future results, performance or achievements expressed or implied by such table. Although, in the opinion of the Bureau of Sanitation, such projections are reasonable, there can be no assurance that any or all of such projections will be realized or predictive of future results.

TABLE 20
PRO FORMA STATEMENT OF FINANCIAL OPERATIONS
UNDER INDICATED REVENUE LEVELS
(in thousands)

| Description | Fiscal Year Ending June 30 | | | | |
|-------------------------------------------------------|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| SOURCES OF FUNDS | | | | | |
| Projected Beginning Cash Balance⁽¹⁾ | \$219,831 | \$231,746 | \$238,457 | \$186,321 | \$155,408 |
| REVENUES | | | | | |
| Rates As of July 1, 2021 | \$695,366 | \$692,308 | \$689,263 | \$689,951 | \$690,640 |
| Increased Rates ⁽²⁾ | -- | -- | <u>15,815</u> | <u>67,743</u> | <u>105,733</u> |
| Total User Charges Revenues | \$695,366 | \$692,308 | \$705,078 | \$757,694 | \$796,373 |
| Other Revenues ⁽³⁾ | <u>90,263</u> | <u>104,781</u> | <u>70,441</u> | <u>72,167</u> | <u>74,135</u> |
| Subtotal Projected Revenues | <u>\$785,629</u> | <u>\$797,089</u> | <u>\$775,520</u> | <u>\$829,861</u> | <u>\$870,508</u> |
| TOTAL PROJECTED SOURCES OF FUNDS | \$1,005,460 | \$1,028,834 | \$1,013,976 | \$1,016,181 | \$1,025,915 |
| EXPENDITURES | | | | | |
| Operations and Maintenance (O&M) | | | | | |
| O&M Expense ⁽⁴⁾ | \$401,822 | \$401,549 | \$421,330 | \$432,791 | \$444,580 |
| Changes to O&M Reserve | <u>572</u> | <u>(34)</u> | <u>2,439</u> | <u>1,413</u> | <u>1,453</u> |
| Subtotal O&M | <u>\$402,393</u> | <u>\$401,516</u> | <u>\$423,769</u> | <u>\$434,203</u> | <u>\$446,033</u> |
| Debt Service | | | | | |
| Senior Lien Bonds | | | | | |
| Existing Senior Lien Bonds ⁽⁵⁾ | \$85,766 | \$50,276 | \$39,093 | \$55,398 | \$43,833 |
| Additional Senior Lien Bonds ⁽⁶⁾ | -- | -- | -- | 9,087 | 17,912 |
| Subordinate Bonds | | | | | |
| Existing Subordinate Bonds ⁽⁷⁾ | 127,353 | 130,866 | 83,537 | 103,657 | 132,254 |
| Series 2022-A ⁽⁸⁾ | 1,290 | 5,277 | 5,277 | 5,277 | 5,277 |
| Series 2022-B ⁽⁸⁾ | 400 | 6,022 | 6,026 | 6,023 | 6,025 |
| Series 2022-C ⁽⁸⁾ | 4,484 | 31,414 | 87,400 | 50,510 | 34,824 |
| Additional Subordinate Bonds ⁽⁹⁾⁽¹⁰⁾ | -- | 6,486 | 20,053 | 30,686 | 39,701 |
| Commercial Paper Interest Expense ⁽¹¹⁾ | 4,688 | 2,833 | 3,400 | 3,329 | 4,548 |
| SRF Clean Water Loan | <u>13,606</u> | <u>13,606</u> | <u>13,606</u> | <u>13,606</u> | <u>-</u> |
| Subtotal Debt Service | <u>\$237,587</u> | <u>\$246,780</u> | <u>\$258,393</u> | <u>\$277,572</u> | <u>\$284,374</u> |
| Sewer Capital | | | | | |
| Cash Financing of Construction | <u>\$133,734</u> | <u>\$142,082</u> | <u>\$145,494</u> | <u>\$148,998</u> | <u>\$138,995</u> |
| Subtotal Sewer Capital | <u>\$133,734</u> | <u>\$142,082</u> | <u>\$145,494</u> | <u>\$148,998</u> | <u>\$138,995</u> |
| Total Uses of Funds | \$773,714 | \$790,377 | \$827,656 | \$860,774 | \$869,402 |
| Projected Ending Cash Balance | <u>\$231,746</u> | <u>\$238,457</u> | <u>\$186,321</u> | <u>\$155,408</u> | <u>\$156,513</u> |

(1) Cash Balance includes the "Unrestricted Funds" and "Restricted Funds Available for Operation and Maintenance" as shown in Table 18.

(2) Includes projected 5% rate increases effective on January 1, 2024, July 1, 2024 and July 1, 2025. Assumes future decline in wastewater volume of 0.44% per year from Fiscal Years 2021-22 through 2023-24, and no additional reduction due to water conservation starting in Fiscal Year 2024-25.

(3) Includes revenues from the O&M portion of wastewater service contract payments, the sewerage facility charge, interest income on all funds except construction funds, bonded sewer fees, and miscellaneous revenue. Fiscal Years 2021-22 and 2022-23 revenues include one-time general fund reconciliations.

(4) O&M expenses includes the System's projected share of the City's projected health and pension costs and assuming a salary increase of 4% for Fiscal Year 2021-22 and 3% per year commencing in Fiscal Year 2022-23 through Fiscal Year 2025-26. For Fiscal Year 2021-22 projected O&M expenses assume the end of the hiring freeze implemented in response to the COVID-19 pandemic, resulting in increases to salaries and other operating costs.

(5) Represents principal and interest becoming due and payable on all Senior Lien Bonds issued and Outstanding in each Fiscal Year, assuming the issuance of the Series 2022-AB Subordinate Bonds and the Series 2022-C Subordinate Bonds. See "PLAN OF FINANCE" and "--Anticipated Financings" herein.

(6) Assumes an interest rate of 5.00% for additional Senior Lien Bond issuances and 30-year amortization structured against existing debt service.

(7) Represents principal and interest becoming due and payable on all Existing Subordinate Bonds issued and Outstanding in each Fiscal Year, following the execution of the finance plan. See "PLAN OF FINANCE" and "--Anticipated Financings" herein.

(8) Includes projected debt service on the Series 2022-A Subordinate Bonds, Series 2022-B Subordinate Bonds and Series 2022-C

Subordinate Bonds.

⁽⁹⁾ Assumes an interest rate of 5% for additional Subordinate Bond issuances and 30-year amortization structured against existing debt service.

⁽¹⁰⁾ Payments on the WIFIA loan are projected to begin in Fiscal Year 2026-27.

⁽¹¹⁾ Reflects interest at an assumed annual interest rate of 3.0% on projected Wastewater System Commercial Paper notes.

Source: Bureau of Sanitation

Outstanding Indebtedness

Senior Lien Bonds and Subordinate Bonds have been heretofore issued pursuant to the City Charter and the Authorizations. Pursuant to the amended and restated charter approved by the voters of the City, additional revenue bonds and notes of the City in excess of the aggregate principal amount approved pursuant to the Authorizations may be issued upon adoption of a procedural ordinance and without any further authorization by the voters of the City. The Series 2022-AB Subordinate Bonds are being issued pursuant to the City Charter and the Procedural Ordinance.

As of December 31, 2021, the City had \$971,695,000 aggregate principal amount of Existing Senior Lien Bonds Outstanding and \$1,558,245,000 aggregate principal amount of Existing Subordinate Bonds Outstanding, excluding Wastewater System Commercial Paper Notes Outstanding. Substantially simultaneously with the issuance of the Series 2022-AB Subordinate Bonds, the City expects to issue its Series 2022-C Subordinate Bonds and, assuming such issuance and the application of proceeds thereof as currently contemplated, all or a portion of the Series 2010-A Subordinate Bonds, 2012-A Senior Bonds, 2012-B Subordinate Bonds, 2012-C Subordinate Bonds and 2018-C Subordinate Bonds will be refunded.

In addition, the City has also authorized a maximum of \$400 million aggregate principal amount of Subordinate Bonds in the form of Wastewater System Commercial Paper Notes. The Wastewater System Commercial Paper Notes are currently supported by Letters of Credit issued by Barclays and Toronto-Dominion. The maximum amount of Wastewater System Commercial Paper Notes that may be Outstanding at any particular time under the existing Letters of Credit for the Wastewater System Commercial Paper Notes is \$400 million. As of [January 31, 2022], there was approximately [\$200] million in aggregate principal amount of Wastewater System Commercial Paper Notes Outstanding, all or a portion of which will be paid at their respective maturity dates from proceeds of the Series 2022-AB Subordinate Bonds. See “PLAN OF FINANCE” herein.

On September 23, 2021, the City incurred a loan in the original principal amount of up to \$223,921,010 (the “WIFIA Loan”) from the United States Environmental Protection Agency for a financing under the Water Infrastructure Finance and Innovation Act for the DCTWRP AWPf Project. The expected substantial completion date for the DCTWRP AWPf Project is September 30, 2027. Absent an event of default, amounts outstanding under the WIFIA Loan bear interest at a fixed rate of 1.72% per annum, calculated on the basis of a 360-day year of twelve 30-day months. Repayment of principal of the WIFIA Loan shall commence on the earlier of (a) the payment date closest to (but not later than) the fifth anniversary of the substantial completion of the DCTWRP AWPf Project and (b) June 1, 2032. Repayment of the WIFIA Loan is secured by a pledge of all Revenues, Revenues held in the SCM Fund (including earnings thereon) and all moneys and securities held in funds and accounts created under the WIFIA Loan documents. The lien on the collateral securing the WIFIA Loan is *pari passu* in right of payment and right of security to the lien of the Subordinate Bonds. The final maturity for the WIFIA Loan will be the earlier of (a) June 1, 2056 and (b) the principal payment date immediately preceding the date that is thirty-five (35) years following the substantial completion date.

The following table sets forth the Outstanding Wastewater System Revenue Bonds and Wastewater System Commercial Paper Notes.

TABLE 21
CITY OF LOS ANGELES OUTSTANDING WASTEWATER SYSTEM
REVENUE BONDS AND COMMERCIAL PAPER REVENUE NOTES
(in thousands) (as of [December 31, 2021])

| Issue | Amount Issued | Amount Outstanding | Final Maturity |
|-------------------------------------------------|--------------------------|-------------------------------|---------------------------|
| Series 2010-A | \$177,420 | \$177,420 | 6/1/2039 |
| Series 2010-B | 89,600 | 89,600 | 6/1/2040 |
| Series 2010-A (Subordinate) | 199,790 | 37,075 | 6/1/2032 |
| Series 2012-A (Refunding) | 49,650 | 49,650 | 6/1/2024 |
| Series 2012-A (Subordinate Refunding) | 157,055 | 18,350 | 6/1/2024 |
| Series 2012-B (Subordinate Refunding) | 253,880 | 234,965 | 6/1/2032 |
| Series 2012-C (Subordinate Refunding) | 133,715 | 85,605 | 6/1/2027 |
| Series 2013-A | 149,980 | 149,980 | 6/1/2043 |
| Series 2013-B (Refunding) | 143,880 | 94,000 | 6/1/2035 |
| Series 2013-A (Subordinate Refunding) | 349,505 | 242,190 | 6/1/2035 |
| Series 2015-A | 188,755 | 188,755 | 6/1/2045 |
| Series 2015-B (Refunding) | 41,175 | 41,175 | 6/1/2035 |
| Series 2015-C | 100,835 | 100,835 | 6/1/2045 |
| Series 2015-D (Refunding) | 108,860 | 80,280 | 6/1/2034 |
| Series 2015-A (Subordinate Refunding) | 21,650 | 21,650 | 6/1/2024 |
| Series 2017-A (Subordinate) | 227,540 | 227,540 | 6/1/2047 |
| Series 2017-B (Subordinate Refunding) | 107,155 | 99,105 | 6/1/2039 |
| Series 2017-C (Subordinate Refunding) (Taxable) | 115,455 | 104,625 | 6/1/2039 |
| Series 2018-A (Subordinate) | 219,790 | 217,335 | 6/1/2048 |
| Series 2018-B (Subordinate Refunding) | 139,880 | 139,880 | 6/1/2028 |
| Series 2018-C (Subordinate Refunding) | 129,925 | 129,925 | 6/1/2032 |
| WIFIA Loan (Subordinate) ⁽¹⁾ | 223,921 | 0 | 6/1/2056 |
| Wastewater System Commercial Paper Notes | <u>400,000</u> | <u>200,000</u> | |
| Total: ⁽²⁾ | <u>\$3,729,416</u> | <u>\$2,729,940</u> | |

⁽¹⁾ On September 23, 2021, the City entered into a loan agreement with the United States Environmental Protection Agency for a financing under the Water Infrastructure Finance and Innovation Act (WIFIA) for the DCTWRP AWP Project. The City plans to draw on the loan on the projected substantial completion date of September 30, 2027. The final maturity for the WIFIA Loan will be the earlier of (a) June 1, 2056 and (b) the principal payment date immediately preceding the date that is thirty-five (35) years following the substantial completion date.

⁽²⁾ Excludes the SRF Clean Water Loan (which matures in Fiscal Year 2024-25).

Source: Office of the City Administrative Officer

Annual Debt Service Requirements

The following table sets forth the amounts required in each Fiscal Year ending June 30 for the payment of principal and interest on all Outstanding Senior Lien Bonds and Subordinate Bonds.

TABLE 22
CITY OF LOS ANGELES
WASTEWATER SYSTEM REVENUE BONDS
DEBT SERVICE ON ALL SENIOR LIEN BONDS AND SUBORDINATE BONDS⁽¹⁾

| Fiscal Year Ending June 30 | Series 2022-AB Subordinate Bonds | | | Series 2022-C Subordinate Bonds | | | Total Debt Service on All Bonds ⁽⁴⁾ |
|-------------------------------------|-----------------------------------------------------------------|----------|---------------------------------|---------------------------------------------------------------|-------------------------|------------------------------------------------|---------------------------------------------------------------|
| | Principal | Interest | Total Principal and Interest | Principal | Interest ⁽²⁾ | Total Principal and Interest ⁽²⁾ | |
| | Debt Service on Other Subordinate Bonds ⁽²⁾ | | | Debt Service on All Subordinate Bonds ⁽¹⁾⁽²⁾ | | | Debt Service on All Senior Lien Bonds ⁽¹⁾⁽³⁾ |
| 2022 | | | \$134,769,276 | | | | \$92,278,353 |
| 2023 | | | 164,387,200 | | | | 58,649,853 |
| 2024 | | | 123,428,225 | | | | 97,117,353 |
| 2025 | | | 158,739,136 | | | | 61,289,853 |
| 2026 | | | 171,659,922 | | | | 49,724,603 |
| 2027 | | | 160,919,314 | | | | 61,546,853 |
| 2028 | | | 132,223,526 | | | | 71,574,103 |
| 2029 | | | 140,222,142 | | | | 65,730,853 |
| 2030 | | | 133,796,503 | | | | 71,863,353 |
| 2031 | | | 133,459,332 | | | | 71,863,853 |
| 2032 | | | 133,138,073 | | | | 71,865,603 |
| 2033 | | | 87,187,223 | | | | 71,869,603 |
| 2034 | | | 87,187,262 | | | | 71,866,603 |
| 2035 | | | 95,536,577 | | | | 63,237,603 |
| 2036 | | | 49,870,513 | | | | 79,709,353 |
| 2037 | | | 49,871,417 | | | | 78,714,848 |
| 2038 | | | 49,871,089 | | | | 77,685,224 |
| 2039 | | | 49,868,472 | | | | 76,621,481 |
| 2040 | | | 30,771,613 | | | | 103,806,971 |
| 2041 | | | 30,773,063 | | | | 63,260,150 |
| 2042 | | | 30,772,263 | | | | 63,263,400 |
| 2043 | | | 30,772,363 | | | | 63,261,650 |
| 2044 | | | 30,770,750 | | | | 63,228,900 |
| 2045 | | | 30,772,913 | | | | 63,230,150 |
| 2046 | | | 30,775,525 | | | | - |
| 2047 | | | 30,775,250 | | | | - |
| 2048 | | | 16,248,750 | | | | - |
| 2049 | | | - | | | | - |
| 2050 | | | - | | | | - |
| Total | | | \$2,318,567,689 | | | | \$1,713,260,562 |
| | | | | | | | \$4,031,828,250 |

- (1) Does not reflect the issuance of the Series 2022-AB Subordinate Bonds or the completion of the refunding described under “Plan of Finance” herein, and the completion of the refunding described under “– Anticipated Financings” herein.
- (2) Assumes an all-in interest cost of 3.00% on the Series 2018-C Subordinate Bonds. It is expected that upon delivery of the Series 2022-C Subordinate Bonds, the Series 2018 Subordinate Bonds will be refunded in whole. See “Plan of Finance” and “– Anticipated Financings” herein. Total may not equal sum of components due to individual rounding.
- (3) Does not reflect any offset for the Refundable Credits.
- (4) Excludes debt service on the WIFIA Loan and the SRF Loan.

Source: Office of the City Administrative Officer

Anticipated Financings

As discussed in the “PLAN OF FINANCE” section, the City intends to issue its Series 2022-C Subordinate Bonds substantially simultaneously with the issuance of the Series 2022-AB Subordinate Bonds. The proceeds of the Series 2022-C Subordinate Bonds are expected to be used to: (i) current refund all or a portion of the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Series 2010-A, the outstanding City of Los Angeles Wastewater System Senior Revenue Bonds Series 2012-A, the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Series 2012-B and Series 2012-C, and the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding, Series 2018-C-1 and Series 2018-C-2, and (ii) pay certain costs of issuing the Series 2022-C Subordinate Bonds.

The City also anticipates issuing additional Senior Lien Bonds and Subordinate Bonds (including Wastewater System Commercial Paper Notes) from time to time to finance capital improvement projects. See “WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM – Financing Plans for the Wastewater System Capital Improvement Program” herein.

Cash Basis Debt Service Coverage

The following table sets forth the projected cash basis debt service coverage for Fiscal Years 2021-22 through 2025-26. Such debt service coverage projections are based on a number of assumptions, including that the number of customers will remain approximately the same as it is at this time and that SSC, QSF and waste hauler fees will increase by 5% on January 1, 2024, July 1, 2024 and July 1, 2025, although no rate increases have been proposed or considered by the City. See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Rate Setting Process” herein. The achievement of certain results or other expectations contained in the following table involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements reflected in the following table to be materially different from any future results, performance or achievements expressed or implied by such table. Although, in the opinion of the Bureau of Sanitation, such projections are reasonable, there can be no assurance that any or all of such projections will be realized or predictive of future results.

TABLE 23
DEBT SERVICE COVERAGE PROJECTIONS
(in thousands)
Fiscal Year Ending June 30

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|-------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Net Revenues – Current Rates | \$695,366 | \$692,308 | \$689,263 | \$689,951 | \$690,640 |
| Additional Revenue from Future Rate Increases ⁽¹⁾ | - | - | 15,815 | 67,743 | 105,733 |
| Other Revenue ⁽²⁾ | 90,263 | 104,781 | 70,441 | 72,167 | 74,135 |
| Projected Net Revenue | \$785,629 | \$797,089 | \$775,520 | \$829,861 | \$870,508 |
| Less Projected O&M ⁽³⁾ | (402,393) | (401,516) | (423,769) | (434,203) | (446,033) |
| Projected Net Revenue | \$383,235 | \$395,573 | \$351,751 | \$395,657 | \$424,474 |
| Debt Service | | | | | |
| Existing Senior Lien Bonds ⁽⁴⁾ | \$85,766 | \$50,276 | \$39,093 | \$55,398 | \$43,833 |
| Additional Senior Lien Bonds ⁽⁵⁾ | - | - | - | 9,087 | 17,912 |
| Total Senior Lien Bonds Debt Service | \$85,766 | \$50,276 | \$39,093 | \$64,486 | \$61,745 |
| Existing Subordinate Bonds ⁽⁶⁾ | \$127,353 | \$130,866 | \$83,537 | \$103,657 | \$132,254 |
| Series 2022-A Subordinate Bonds ⁽⁷⁾ | 1,290 | 5,277 | 5,277 | 5,277 | 5,277 |
| Series 2022-B Subordinate Bonds ⁽⁷⁾ | 400 | 6,022 | 6,026 | 6,023 | 6,025 |
| Series 2022-C Subordinate Bonds ⁽⁷⁾ | 4,484 | 31,414 | 87,400 | 50,510 | 34,824 |
| Additional Subordinate Bonds ^{(8) (9)} | - | 6,486 | 20,053 | 30,686 | 39,701 |
| Wastewater System Commercial Paper Notes Interest ⁽¹⁰⁾ | 4,688 | 2,833 | 3,400 | 3,329 | 4,548 |
| Total All Bonds and Notes | \$223,981 | \$233,174 | \$244,787 | \$263,966 | \$284,374 |
| Projected Debt Service Coverage | | | | | |
| Total Senior Debt | 446.8% | 786.8% | 899.8% | 613.6% | 687.5% |
| Total Senior and Subordinate Debt | 171.1% | 169.6% | 143.7% | 149.9% | 149.3% |

⁽¹⁾ Includes projected 5% rate increases effective on January 1, 2024, July 1, 2024 and July 1, 2025. Assumes continued 0.44% net annual reduction of sewage volume through Fiscal Year 2023-24, no further projected volume reductions starting in Fiscal Year 2024-25, and a continued 0.10% increase in service points.

⁽²⁾ Includes revenues from the O&M portion of WSC payments, the sewerage facility charge, interest income on all funds except construction funds, bonded sewer fees, and miscellaneous revenue.

⁽³⁾ O&M expenses includes the System's projected share of the City's projected health and pension costs and assuming a salary increase of 4% for Fiscal Year 2021-22 and 3% per year commencing in Fiscal Year 2022-23 through Fiscal Year 2025-26. For Fiscal Year 2021-22 projected O&M expenses assume the end of the hiring freeze implemented in response to the COVID-19 pandemic, resulting in increases to salaries and other operating costs.

⁽⁴⁾ Represents principal and interest becoming due and payable on all Senior Lien Bonds Outstanding in each Fiscal Year, net of Refundable Credits and net of debt service related to the planned refunding of the Senior Series 2012-A Bonds from the proceeds of the Series 2022-C Subordinate Bonds.

⁽⁵⁾ Assumes an interest rate of 5.00% for additional bond issuances after Fiscal Year 2021-22, 30-year amortization structured against existing debt service.

⁽⁶⁾ Represents principal and interest becoming due and payable on all Existing Subordinate Bonds issued and Outstanding in each Fiscal Year, net of the debt service related to the planned refunding of the Series 2010-A, 2012-B, 2012-C, and 2018-C Subordinate Bonds from the proceeds of the Subordinate 2022-C Subordinate Bonds.

⁽⁷⁾ Includes projected debt service on the Series 2022-AB Subordinate Bonds and Series 2022-C Subordinate Bonds, assuming interest rates as of November 4, 2021 plus 50 basis points (0.50%).

⁽⁸⁾ Assumes an interest rate of 5% for additional Subordinate Bond issuances and 30-year amortization structured against existing debt service.

⁽⁹⁾ Excludes payments on the WIFIA Loan which are projected to begin in Fiscal Year 2026-27 and payments on any future SRF Loan.

⁽¹⁰⁾ Reflects interest at an assumed annual interest rate of 3.0% on projected Wastewater System Commercial Paper Notes.

Source: Bureau of Sanitation

REGULATORY REQUIREMENTS AFFECTING OPERATION OF THE SYSTEM

General

The City's wastewater operations are subject to regulatory requirements relating to the Clean Water Act. The regulatory requirements are administered by the US EPA through the SWRCB and the Los Angeles Regional Water Quality Control Board (LARWQCB). Regulations of these agencies deal primarily with the quality of effluent which may be discharged from the four water reclamation facilities, the recycling of residual solids generated by the water reclamation plants, the reuse of reclaimed water for irrigation and industrial uses to conserve potable water, and the nature of waste material (particularly industrial waste) discharged into the conveyance system. As a condition of having received federal EPA grant funds under the Clean Water Act for planning, design, and construction of various wastewater projects, the City is subject to additional requirements. Among the grant-related requirements are guidelines which must be followed concerning planning methodologies, design criteria, procurement, construction activities, and financing of facilities.

To comply with federally mandated effluent quality and disposal criteria, the City must operate its water reclamation facilities according to discharge limitations and reporting requirements set forth in NPDES discharge permits. All wastewater reclamation facilities currently comply with the requirements of their respective NPDES permits.

To comply with other federal regulations concerning the discharge of waste materials into the sewer system, the City must administer and enforce industrial pretreatment limitation standards upon users of the system. The City has had an industrial waste program in effect since the early 1940s. The City has been approved by the State and the US EPA to administer its own industrial pretreatment program.

The City's industrial waste ordinance sets forth the water quality standards that industrial users must meet and provides enforcement procedures for violators. The Industrial Waste Management Division of the Bureau of Sanitation is currently responsible for monitoring industrial sites, food service establishments, and dental offices located in the City. In addition, each Entity is required to permit and monitor all industries within its respective service area. The contractual agreements require the Entities to ensure compliance with federal, state, and local regulations, including pretreatment regulations. The Industrial Waste Treatment Division oversees each Entity's compliance with federal pretreatment requirements and works with the Entity on a regular basis ensuring their continued compliance.

In addition to federal requirements, the City must comply with State requirements which are generally more stringent. The primary State law concerned with the control of water quality is the Porter-Cologne Water Quality Control Act of 1969, as amended (the "Porter-Cologne Act"). The basic tenor of that act was set by the policy that the waters of the State must be protected for use and enjoyment by the people of the State. The Porter-Cologne Act directly addresses the issue of water reclamation and reuse. A declared policy of the law is that the people of the State have a primary interest in the development of facilities to reclaim wastewater to supplement existing surface and underground water supplies in order to meet their water requirements. The legislative intent was to undertake all possible development of water reclamation facilities to make reclaimed water available for use. The law requires the State Department of Health Services to establish statewide reclamation criteria for each type of use where such use involves public health.

Biosolids Management

The City currently reuses biosolids, a byproduct and residual of wastewater treatment, as a soil amendment at the City-owned Green Acres Farm (the Farm) in Kern County. The biosolids are used as a soil conditioner and fertilizer to help promote growth on sites where chemical fertilizers would otherwise have to be used to produce crops. Farm activities produce non-food chain crops such as wheat, corn, alfalfa, oats, milo, and sudan grass. After crops are harvested, they are sold as feedstock to local dairies.

The Farm must comply with the Salt and Nitrate Control Programs (Central Valley Salinity Alternatives for Long-Term Sustainability or CV-SALTS) being implemented by the Central Valley Regional Water Quality Control Board (the “Central Valley Water Board”), which adopted Resolution R5-2018-0034 in May 2018. The Salt Control Program imposes new requirements on permittees to protect surface waters and groundwater from salts in wastewater; it offers two new salinity permitting options - the Conservative Salinity Permitting Approach and the Alternative Salinity Permitting Approach. On January 22, 2021, the Farm received a Notice to Comply for the Salt Control Program issued by the Central Valley Water Board. On April 5, 2021, the City submitted its Notice of Intent and selection of the Alternative Salinity Permitting Approach. Under this approach, permittees must participate in the Prioritization & Optimization (P&O) Study and are required to pay an annual fee. The City has paid a fee of \$5,739. The P&O Study will run from 10-15 years, and the fees may change depending on the need and complexity of the study, and if other funding is available. Permittees can maintain current permit performance levels and will be allowed to defer more stringent and costly permitting requirements, if applicable, until such requirements are reevaluated after completion of Phase 1 of the P&O Study and Phase 2 is implemented. At this time, the P&O Study is not expected to impact Farm operations.

The Farm is currently irrigated with treated effluent supplied at no cost by a City of Bakersfield water reclamation plant. The City of Bakersfield has informed the City that it will stop providing this water supply after December 2026. Thereafter, the Farm will have to purchase water from other suppliers in order to continue its operations. The associated costs are unknown at this time.

The City continues to investigate and evaluate a new beneficial use option for its biosolids called the Terminal Island Renewable Energy (“TIRE”) demonstration project. The TIRE Project applies innovative technology to convert biosolids into clean energy by deep well placement and geothermal biodegradation. The TIRE project is currently injecting about 300 tons of bio-slurry material per day into the deep subsurface. The demonstration permit expired in December 2018. Prior to its expiration, an application for another 5-year permit was submitted to US EPA Region IX. TIRE is being allowed to continue to operate through the transition from the old permit to the new one. It is anticipated that the process to renew the permit will be completed in 2022.

Air Quality

South Coast Air Quality Management District. The air quality issues relating to wastewater reclamation facilities have been the subject of increased federal, State and local regulation. The US EPA has delegated most enforcement responsibilities of the federal Clean Air Act, as amended (“CAA”) to the South Coast Air Quality Management District (“SCAQMD”). The Bureau of Engineering and Sanitation obtain SCAQMD permits to construct many System capital improvement projects. The Bureau of Sanitation tracks federal and State air quality legislation and proposed federal, State and regional regulations, prepares responses to issues that may impact System operations and future development and coordinates SCAQMD permits to construct larger System projects such as the Digester Gas Utilization Project (“DGUP”) at HWRP.

Pollutant and Air Toxics Emissions. All of the City's reclamation facilities monitor and report on criteria air pollutant emissions and certain toxic air contaminants (TAC) pursuant to SCAQMD requirements, which are based on requirements of AB 2588 Air Toxics "Hot Spots" (1987), Emission Inventory Criteria Guidelines Regulation (EICG). requires Annual Emissions Reports ("AERs") of air contaminants and has designated HWRP and TIWRP as high priority emitters also requiring a health risk assessment ("HRA") from each facility every four years, or as requested by SCAQMD. An HRA is a comprehensive analysis of the dispersion of hazardous substances into the environment, the potential for human exposure, and a quantitative assessment of both individual and population-wide health risks associated with those levels of exposure. Future HRA analyses will be based on the recently revised Exposure Assessment by the California Office of Environmental Health Hazard Assessment ("OEHHA"). Due to the 2016 revised Exposure Assessment Guidelines of the OEHHA, SCAQMD has amended Rules 1401, 1401.1, 1402, and 212, and has revised its Risk Assessment Procedures. It is expected that this may result in more public notices for future construction or operations at HWRP and potentially TIWRP. OEHHA and CARB recently proposed through AB 2588 updates and AB 617, Criteria Air Pollutant and Toxic Air Contaminant Regulation (CTR, or CTR Regulation), mandatory monitoring for up to 10,000 new compounds. During 15-day regulation modifications, waste handling facilities, such as wastewater facilities and landfills, were specifically allowed a 2-step, qualification and quantification study that would require these waste handling facilities to report a new small set of TACs in AERs starting in 2029. No additional issues are expected to arise from AERS, Hot Spots reports, or HRAs.

SCAQMD Air Quality Management Plan and National Ambient Air Quality Standards. Every three (3) years, SCAQMD is required to review its Air Quality Management Plan ("AQMP"). The South Coast Air Basin is in extreme nonattainment for ozone, a federal criteria pollutant in accordance with the National Ambient Air Quality Standards ("NAAQSs") of the CAA. To meet requirements of the CAA, the 2016 AQMP, adopted March 3, 2017, is focused on reducing NOx and volatile organic compounds ("VOCs"), which are precursors to ozone. Although emissions from stationary sources, SCAQMD's primary area of jurisdiction, have been significantly reduced during the past few decades, further reduction of ozone from stationary sources is a priority for the SCAQMD, as are beneficial uses, in issuing air permits. Because the City consistently invests in beneficial uses and equipment that best reduce NOx, VOCs, PM and other pollutants, SCAQMD rules should not impinge significantly on the City. SCAQMD is working with US EPA and California Air Resources Board ("CARB") to reduce ozone from mobile sources sufficiently to meet attainment. An August 2018 development from the USEPA relative to car and light truck emissions would have made attainment more difficult, but was recently reversed. SCAQMD has started work on the 2022 AQMP, which will continue to work on reducing NOx and VOCs, and continues to work with CARB on reducing mobile sources.

CARB. In December 2007, CARB adopted Mandatory Reporting Requirements ("MRRs") requiring reporting of GHG emissions from the largest sources, including refineries, general stationary combustion facilities, and hydrogen plants that emit at least 25,000 metric tons of CO2 equivalents ("MTCO2e") per year. On December 16, 2011, CARB reduced the reporting threshold to 10,000 MTCO2e per year and removed cogeneration as a category subject to MRRs. If DGUP emissions cause HWRP to exceed 10,000 MTCO2e per year, which HWRP reports to CARB in accordance with the MRRs. HWRP also pays Cap and Trade fees of about \$450,000 each year.

The Cap and Trade program began on January 1, 2012, with enforceable limits on January 1, 2013. This CARB program requires a declining cap for stationary source combustion of fossil fuels above 25,000 MTCO2e per year.

AB 617 (2017) requires CARB and air districts, including SCAQMD, to prepare and deploy community air monitoring systems (CAMs) every year, and develop a state-wide strategy to reduce TACs and criteria air pollutants in communities of high cumulative exposure burden. Air districts,

including the SCAQMD, must adopt an expedited schedule to implement the best available retrofit control technology. In some cases, City facilities may be required to deploy a fence-line or other monitoring system.

US EPA. On September 22, 2009, the US EPA finalized a rule for GHG MRRs, one in a series of regulatory changes, impacting only highly emitting Publicly Owned Treatment Works ("POTWs"), including HWRP. Through this series of changes, the regulation clarified that most POTWs, except HWRP and a few others, are impacted by the federal MRR, which require reporting only for stationary source combustion emissions of fossil fuels with emissions above 25,000 MTCO₂e per year.

On August 2, 2018, USDOT and USEPA proposed withdrawing California's waiver for regulating motor vehicles through proposing the SAFE Vehicle Rule, which relaxes CAFE standards for 2021-26 cars and light trucks; the Biden administration is moving to reverse the relaxation of these standards. On September 23, 2020, California Governor Newsom issued Executive Order N-79-20, which establishes goals to achieve 100% sales of zero-emission cars by 2035, 100% sales of zero-emission medium- and heavy-duty vehicles by 2045, and 100% sales of zero-emission off road vehicles and equipment by 2035. For at least the next few years, federal and State efforts will continue to focus on reducing NO_x, VOC, and GHG emissions from both stationary and mobile sources. The City and the Bureau of Sanitation will continue its investments in vehicles, infrastructure, and equipment to support these efforts.

Industry Associations

The City is a member of several industry associations that support the Bureau of Sanitation's efforts in addressing federal and state regulations that impact its Clean Water, Solid Resources, and Watershed Protection programs. The associations advocate on behalf of the Bureau of Sanitation interests on a broad spectrum of issues, including those pertaining to air quality and climate change, and include:

- California Association of Sanitation Agencies ("CASA")
- National Association of Clean Water Agencies ("NACWA")
- Southern California Alliance of Publicly Owned Treatment Works ("SCAP")
- The Water Research Foundation ("WEF")
- WaterReuse Association

No assurance can be given that the cost of compliance with future laws, regulations and orders relating to climate change, greenhouse gases and/or renewable energy would not adversely affect the ability of the System to generate Revenues sufficient to pay debt service on the Series 2022-AB Subordinate Bonds.

Water Quality

Total Maximum Daily Loads. The Los Angeles Regional Water Quality Control Board ("LARWQCB") is required to develop TMDLs for impaired waterbodies. Section 303(d) of the Clean Water Act requires every state to compile a list of waterbodies that are impaired with respect to water quality. Various watersheds in the Los Angeles area have water body segments that are listed as impaired due to a variety of pollutants. Currently, there are 22 TMDLs that apply to surface waters within the City. Additional TMDLs are expected to be developed in the future and compliance with both existing and new TMDLs will continue into the next decade. Some of these TMDLs have significant potential cost implications to the wastewater system (in addition to the municipal separate storm sewer system (MS4) and General Industrial Permit discharges of various System facilities). Bacteria TMDLs have been established for all receiving waters of publicly owned treatment works (POTWs). Typically, the POTWs

have no issues in meeting effluent limitations; however, if leaks are detected in the sewage conveyance systems, this could require costly repairs to the system. Furthermore, as more low flow diversion projects are implemented to divert urban runoff to the sanitary sewer system in order to protect receiving waters and/or increase water recycling, there could be significant costs associated with improving and maintaining these diversion systems, the sewer conveyance systems that bring this new source of water to the wastewater reclamation facilities, and wastewater reclamation facility processes.

At this time, it is difficult to predict the full impact of existing and future TMDLs on the National Pollutant Discharge Elimination System (“NPDES”) effluent limits at the City's four water reclamation plants. In addition, the Greater Los Angeles County MS4 permit, adopted by the LARWQCB in November 2012 and renewed in June 2021 as a regional permit that encompasses Los Angeles and Ventura counties, contains provisions that require compliance with all the adopted TMDLs. TMDLs have resulted in several discharge limits included in the City's NPDES permits (e.g., polychlorinated biphenyls, DDT, heavy metals, and bacteria). As discharge limits are developed for future TMDLs (e.g., mercury, arsenic, and nitrogen) they could result in the need for major plant upgrades to meet these new requirements (e.g., reverse osmosis and/or microfiltration systems). Improvements of this nature could cost in the billions of dollars to construct and operate/maintain.

NPDES Permits

The City’s four wastewater reclamation facilities are required to obtain five-year NPDES permits that are issued by the LARWQCB. The process of renewing a permit begins when the City files a Report of Waste Discharge (“ROWD”) with the LARWQCB no later than 180 days prior to the permit expiration date. Once an ROWD is complete, about two months before the expiration date, the LARWQCB issues a Tentative Order for review by the City and public. If any changes are made following the review, a Revised Tentative Order is issued. The LARWQCB may consider issues and concerns that are raised or adopt the Revised Tentative Order. About a month after adoption, the LARWQCB will issue the new order containing the new permit. The status of the permits is summarized in the table below:

TABLE 24
STATUS OF PERMITS

| WATER RECLAMATION PLANT ("WRP") | NPDES # | PREVIOUS NPDES PERMIT | | CURRENT NPDES PERMIT | | Expected Expiration |
|---------------------------------------|-----------|-----------------------|-------------------|-------------------------|-----------------------|------------------------|
| | | Order # | Expired | Order # | Adopted by LARWQCB | |
| Donald C. Tillman ("DCTWRP") | CA0056227 | R4-2011-0196 | November 10, 2016 | R4-2017-0062 | March 2, 2017 | April 30, 2022 |
| Los Angeles–Glendale ("LAGWRP") | CA0053953 | R4-2011-0197 | November 10, 2016 | R4-2017-0063 | March 2, 2017 | April 30, 2022 |
| Hyperion ("HWRP") | CA0109991 | R4-2010-0200 | December 23, 2015 | R4-2017-0045 | February 2, 2017 | March 31, 2022 |
| Terminal Island ("TIWRP") | CA0053856 | R4-2015- 0119-A01 | June 10, 2021 | R4-2021-0095 | June 10, 2021 | July 31, 2026 |

DCTWRP and LAGWRP. DCTWRP and LAGWRP's respective 2017 NPDES permits contain new effluent limits for ammonia and copper consistent with the Los Angeles River TMDL and reflective of the performance of the wastewater reclamation facility. DCTWRP and LAGWRP are expected to continue to meet the limits and there will be no potential financial impact to the City.

In December 2018 and February 2019, DCTWRP had exceedances of its limits for indeno (1,2,3-cd) pyrene and dibenzo (a,h) anthracene, and LARWQCB initially imposed fines in the form of mandatory minimum penalties (MMP). The Bureau of Sanitation contested the penalties, asserting that

the pollutant violations were due to the deposition of organic matter from the Woolsey Fire of November 2018 that was washed off by rainfall and then discharged into DCTWRP. In January 2020, LARWQCB concurred that the violations “resulted from an unanticipated natural disaster that could not have been prevented or avoided by the exercise of due care or foresight” and dismissed the Notice of Violation. Subsequently, LARWQCB identified five additional effluent limit violations (for copper, total coliform, and turbidity) that occurred in 2019 and would be subject to MMPs. These violations were resolved when the City accepted LARWQCB’s “Acceptance of Conditional Resolution and Waiver of Right to Hearing,” their “Offer to Participate in Expedited Payment Program,” and agreed to pay penalties in the sum of \$18,000. The US EPA may also take enforcement action for the same exceedances, although that is deemed to be unlikely. Exceedances also expose the City to potential third-party lawsuits

The SWRCB initiated a process to develop a nutrient policy for inland surface waters in California in 2014. The proposed policy will establish methods to develop numeric or narrative water quality objectives for nutrients. Currently, nutrient policy development is still on-going. Potential impacts of the policy on DCTWRP and LAGWRP may include the need for significant upgrades to the facilities and increased energy demand. Potential cost impacts are unknown at this time.

HWRP. HWRP’s 2017 NPDES permit imposes a new ammonia limit for the effluent. HWRP currently meets this effluent limit, but could have difficulty meeting the limit in the future. The potential impact would be to provide sidestream treatment to reduce ammonia in the effluent at an estimated capital cost of \$40 to \$50 million. Additionally, the City plans to recycle 100% of its treated wastewater by 2035. The anticipated change in discharge characteristics associated with implementing the proposed recycled water processes at HWRP will affect the provisions of the NPDES permit when it is reissued in 2022, as well as in subsequent permit renewals, and could lead to potential compliance issues with revised effluent limitations, if any such changes are made. Potential cost impacts are unknown at this time.

TIWRP. TIWRP’s NPDES permit was renewed in June 2021 and is in effect until July 2026. Among its provisions, discharges to the Los Angeles Outer Harbor are prohibited as of December 31, 2024 with the exception of the occasional discharge of tertiary-treated effluent and brine waste. This is consistent with the planned mode of operation.

TIWRP Advanced Water Purification Facility (AWPF). In October 1994, the LARWQCB adopted Resolution No. 94-009 approving the City’s proposal to ultimately phase out the discharge of tertiary-treated wastewater effluent from TIWRP into Los Angeles Harbor at the earliest practicable date and to implement a Water Recycling Program with the goal of achieving total recycled water reuse by 2020. TIWRP’s NPDES permit acknowledges the City’s intent to cease continuous discharge by 2020, but that there have been delays in LADWP obtaining recycled water customer agreements with the end users and completion of the recycled water distribution network of pipelines and pump stations with completion expected by 2024. There have been delays in the end users’ on-site improvements to use recycled water in their facilities.

IGP. The federal Clean Water Act requires ten (10) broad categories of industrial storm water discharges, including from wastewater reclamation facilities, to be covered by the NPDES General Permit for Storm Water Discharges Associated with Industrial Activities or Industrial General Permit (IGP). The City’s four water reclamation plants (DCTWRP, HWRP, LAGWRP, and TIWRP) are subject to the IGP. The IGP was amended in November 2018 and the adopted changes became effective on July 1, 2020. The changes include requirements to comply with receiving water limitations based on water quality standards and impose TMDL Numeric Effluent Limitations (“NEL”) (Los Angeles River TMDLs for nitrogen compounds, cadmium, copper, lead, and zinc) for stormwater discharges that are applicable DCTWRP and LAGWRP. Results from LAGWRP and DCTWRP stormwater sampling during the 2020-21 rain year indicate NEL exceedances for zinc. These NEL exceedances are in violation of the IGP, triggering the

potential assessment of Mandatory Minimum Penalties (“MMPs”) of \$3,000 per violation, administrative civil liabilities, and exposing the City to third-party lawsuits. The facilities are also required to implement Water Quality Based Corrective Actions. A solution to remediate exceedances is to retain on-site stormwater runoff and pump it to the headworks for subsequent treatment or discharge it to the sewer conveyance system. Depending on a facility’s layout, this could be accomplished simply (e.g., deploying sand bags and flexible berms) or could require structural improvements (e.g., pipe, pump, maintenance hole, etc.).

General. If the plants cannot meet future permit requirements, it is possible that the City may be required to install new treatment processes at a substantial cost to the City. The City cannot currently estimate the cost of such permit requirements, and such permit requirements are not included in the current Capital Improvement Program.

Per- and polyfluoroalkyl substances (“PFAS”) are constituents of emerging concern for the System. PFAS are fluorinated organic chemicals that have been extensively produced and studied in the United States and internationally. There are some accepted methods for accurately measuring and effectively removing PFAS contamination, but the science for both is still developing. Concurrently, calls to take corrective action are becoming more frequent and urgent, and numerous regulations and legislative measures are being proposed to limit the level of PFAS in the environment, including in the effluent from wastewater treatment plants. Consequently, future NPDES permits for the System’s four water reclamation plants may include discharge limits for PFAS. This may require the City to install treatment systems to remove PFAS in the effluent in order to comply, which may require significant expenditures by the City. On July 15, 2020, the SWRCB issued its PFAS Investigate Order to the System’s four plants to conduct PFAS sampling and analysis and to submit the results of the sampling. The activities included in that order are part of a statewide effort to (a) evaluate PFAS groundwater and surface water impacts, and (b) conduct a preliminary investigation of the mass loading of PFAS entering publicly owned treatment works (“POTW”) and then leaving the POTW in different media (treated wastewater, brine, biosolids). The total cost to comply with the order and any ensuing legal requirements is unknown at this time.

Wastewater Overflows

The City continuously develops and implements new programs and projects and enhances existing programs in order to reduce sanitary sewer overflows. Through Fiscal Year 2020-21, the combination of all of these efforts has helped the City achieve a 14% reduction in overflow incidents since Fiscal Year 2010-11 and an 85% reduction in overflow incidents since Fiscal Year 2000-01. Root-caused SSOs have been reduced by 10% since Fiscal Year 2010-11 as a result of focused chemical root-control and sewer cleaning programs. In addition, SSOs caused by fats, oils, and grease (FOG) have also been reduced. Nevertheless, in Fiscal Year 2020-21, the City experienced 109 overflows and major overflows continue to be a challenge.

On February 20 and 22, 2021, the System experienced two Sanitary Sewer Overflows (SSOs) related to the ongoing rehabilitations to the North Outfall Sewer (NOS). These two SSOs were a result of mechanical malfunctions on the bypass pumping system that was under the supervision of the contractor. The Los Angeles Regional Water Quality Control Board has not taken any enforcement actions as a result of the SSOs, and no fines have been levied on the City for Wastewater Spills for the Fiscal Year 2020-21. As of June 30, 2021, the System did not experience any SSO’s on the NOS or other large diameter sewers related to rainfall for Fiscal Year 2020-21.

On July 11, 2021, an excessive amount of debris accumulated on barscreens at the HWRP Headworks screening facility, resulting in the flooding of the plant and raw sewage overflow. HWRP’s relief system was triggered and sewage flows were controlled through use of the plant’s one-mile outfall

and the discharge of over 17 million gallons of untreated sewage into Santa Monica Bay. [HRWP staff is currently assessing the damage and working to return the treatment process back to normal operations.][**UPDATE**] The City is working cooperatively with State authorities on the investigation into this incident, including the determination of the origin of the excess debris. The City's insurance carrier has informed the City that the policy will respond to the reasonable and necessary costs associated with the restoration of the physically damaged real and personal property related to the incident, and any temporary repair or replacement thereof. As of December 1, 2021, the City has collected \$15 million of insurance proceeds related to the incident. As of such date, the City estimates that repairs were approximately 60% complete. A class action lawsuit has been filed against the City in connection with the incident. See LITIGATION - Certain Claims Against the SCM Fund - Mecklenburg v. Hyperion Water Reclamation Plant." The City cannot determine at this time the extent of the financial impact of this incident as the costs of repairs to the facility and equipment, the amount of resulting fees and fines by regulatory agencies, the costs resulting from any litigation related to the incident, and other incidental costs/damages are currently unknown but such amounts are likely to be substantial.

RISK FACTORS

The ability of the City to pay principal of and interest on the Series 2022-AB Subordinate Bonds depends primarily upon the receipt by the City of Revenues. Some of the events which could prevent the City from receiving a sufficient amount of Revenues to enable it to pay the principal of and interest on the Series 2022-AB Subordinate Bonds are summarized below. The following description of risks is not intended to be an exhaustive list of the risks associated with the purchase of the Series 2022-AB Subordinate Bonds and the order of the risks set forth below does not necessarily reflect the relative importance of the various risks.

Limited Obligations

The obligation of the City to pay debt service on the Series 2022-AB Subordinate Bonds is a limited obligation of the City and is not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Revenues. The obligation of the City to pay debt service on the Series 2022-AB Subordinate Bonds does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The City is obligated under the Resolutions to pay debt service on the Series 2022-AB Subordinate Bonds solely from Revenues.

Factors that can adversely affect the availability of Revenues include, among other matters, drought, general and local economic conditions, and changes in law and government regulations (including initiatives and moratoriums on growth). The realization of future Revenues is also subject to, among other things, the capabilities of management of the City, the ability of the City to provide wastewater service to its retail customers and the Agencies, the ability of the City to establish, maintain and collect charges for the wastewater service to its retail customers and the Agencies and the ability of the City to establish, maintain and collect rates and charges sufficient to pay debt service on the Series 2022-AB Subordinate Bonds. See "FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM" herein and Appendix E attached hereto.

System Revenues and Expenditures

The operation and maintenance expenses of the System are expected to increase in the next five years. See "FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Projected Operation and Maintenance Expenses" herein. Actual operation and maintenance expenses may be greater or less than projected. Factors such as changes in technology, regulatory standards, increased costs of material,

energy, labor and administration can substantially affect System expenses. Although the City has covenanted to prescribe, revise and collect rates and charges for in amounts sufficient to pay debt service on the Series 2022-AB Subordinate Bonds, there can be no assurance that such amounts will be collected. Increases in System rates could result in a decrease in demand for System usage.

Rate-Setting and Initiative Processes Under Proposition 218

Proposition 218 affects the City's ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of majority protest or initiative, the City might thereafter be unable to generate Revenues in the amounts required to pay debt service on the Series 2022-AB Subordinate Bonds. See "FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Proposition 218" herein.

Proposition 218, as incorporated in the California Constitution under Article XIIC, also provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. See "Financial Operations of the Wastewater System – Proposition 218" herein. Notwithstanding the fact that the SSC may be subject to reduction or repeal by voter initiative undertaken pursuant to Section 3 of Article XIIC, the City has covenanted to establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System which meet the requirements of the Resolutions and in accordance with applicable law. No assurance can be given that the voters of the City will not, in the future, approve initiatives which seek to repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the City's SSC, which are a significant source of Revenues pledged to the payment of debt service on Series 2022-AB Subordinate Bonds.

Potential Impact of Climate Change, Natural Disasters and Other Risks Relating to the System

Climate Change and Drought. 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, released in 2015 and renamed L.A.'s Green New Deal in 2019 (the "Plan"), 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 as drought conditions continue, 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 System has experienced reduced flows, which can lead to increased production of gases in sewers and odor complaints, which in turn can increase influent concentrations at wastewater reclamation facilities above design concentrations. The sewers and pumping plants can also be threatened by increased flooding risks, sinkholes, decreased flows, power outages, service disruptions, and other changes in subsurface conditions that are caused by the fluctuating climate extremes between wet and dry weather events. The City completed a *Climate Risk and Resilience Assessment for Wastewater and Stormwater Infrastructure* ("Assessment") as part of the Plan released in April 2018. This Assessment summarized observed climate trends using the most current climate science and projections, to provide an

overall assessment and recommendations for wastewater and stormwater infrastructure resilience through 2040. This Assessment included identifying existing facilities impacted by climate risk to incorporate upgrades as well as planning to integrate climate resiliency into existing wastewater and stormwater facility repair and replacements programs. The analysis from this Assessment is used to further develop strategies for climate risk and resiliency into the CIP business case and all Bureau of Sanitation programs including development of a climate risk and resilience adaptation planning tool. The Assessment estimated \$58 million in resilience improvement costs for wastewater and stormwater facilities that can avoid replacement or total loss cost of \$431 million. Incorporating climate risk and resiliency into existing Bureau of Sanitation programs could result in significant cost savings of at least 70% for one incident. These savings can increase with the amount of avoided costs of fully replacing facilities after major climate related impacts.

The City's clean water program is an important part of addressing water scarcity with planned enhancements of water purification capability at each of the City's water reclamation plants, such enhancements eventually will provide a continuous source of local water for local groundwater augmentation while reducing the greenhouse gas footprint associated with the City's imported water supply. The City is also contributing to climate resilience related to the System by mitigating climate-related risks with investments that increase its operational energy efficiency and renewable energy use at its plants. Through enhanced plant operations and processes, the Bureau of Sanitation recovers energy from wastewater, and converts biosolids into carbon-sequestering crops, compost and mulch to restore soils and ecosystems throughout the City. As climate resiliency is being integrated into existing projects and programs, further analyses of the projected costs (to be expended and to be avoided) will be performed.

In 2018 and 2019, the California State Legislature enacted, and the respective Governors signed, three long-term water use efficiency bills, Senate Bill 606 (2018), Assembly Bill 1668 (2018) and Assembly Bill 1414 (2019), to establish a new foundation for long-term improvements in water conservation and drought planning to adapt to climate change and the resulting longer and more intense droughts in California. The legislation sets standards for indoor residential use and requires the State Water Resources Control Board, in coordination with the Department of Water Resources, to adopt efficiency standards for outdoor residential use, water losses, and commercial, industrial and institutional outdoor landscape areas with dedicated irrigation meters. All new requirements for urban water use objectives are effective after June 2022 when the State Water Resources Control Board adopts urban water use efficiency standards, performance measures, and variances.

The State's and City's recent drought conditions have prompted various actions to reduce water consumption. The City approved rates which increased through Fiscal Year 2020-21. These rates and future rates and charges are predicated on assumptions of expected volume of wastewater operation. If the water supply decreases significantly, whether by operation of mandatory supply restrictions, prohibitively high water costs or otherwise, flow within the System will diminish and Revenues may be adversely affected. In the past, the City reduced funding for CIP projects in response to the expected reduction in wastewater volume and Revenues, and although the funding has since been restored because of continued rate increases, implementation of reduced funding for CIP projects may be required again in the future. Following a significant decline in water usage Fiscal Years 2014-15 to 2015-16 due to drought-related water conservation measures, declines of sewage volume due to water conservation have continued at a reduced rate. Revenues are projected assuming the continued net annual reduction of billable sewage volume of 0.44% from Fiscal Years 2021-22 through 2023-24, and no further projected volume reductions due to conservation efforts starting in Fiscal Year 2024-25. No assurance may be made regarding the potential impact of the present or any future drought on the System's financial condition. See "FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Water Usage – *General*" herein.

Earthquakes. 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 System is located above or near a number of geological faults capable of generating significant earthquakes. The area is characterized by a number of geotechnical conditions which represent potential safety hazards, including expansive soils and areas of potential liquefaction and landslide. In anticipation of such potential disasters, the City designs and constructs System facilities to the seismic codes in effect at the time of design of the project.

In January 1994, an earthquake of magnitude 6.7 on the Richter Scale occurred in the northwest San Fernando Valley on a previously unmapped fault. It caused widespread damage to commercial and residential structures. Significant damage occurred to the System however sewer service was not interrupted. Pipe fractures were detected using closed circuit television cameras and some portions of the pipe collapsed. The City estimates that repairs to the System in connection with this earthquake cost approximately \$213 million at the time (not adjusted for inflation).

Although the City has implemented disaster preparedness plans, there can be no assurance that these or any additional measures will be adequate in the event that a natural disaster occurs, nor that costs of preparedness measures will be as currently anticipated. Further, damage to components of the System could cause a material increase in costs for repairs or a corresponding material adverse impact on Revenues. The City is not obligated under the Resolutions to maintain earthquake insurance on the System, and the City does not now and does not plan to maintain earthquake insurance on the System.

Wildfires. Water conveyance facilities generally consist of pipelines and connections, flow control facilities, and pumping stations, which are not typically vulnerable to damage by wildfires. The above ground facilities within the System are designed to be tolerant to damage by wildfires through the use of fire resistant material where possible, such as concrete and masonry blocks. In addition, the Bureau of Sanitation works closely with the City's fire department to ensure that proper vegetative clearances are maintained in and around the properties and facilities of the System. The City watches for wildfires that may threaten the facilities and operation of the System, and operations and maintenance crews are dispatched to ensure that all above-ground facilities remain safe and operational.

Sewer Failure. The System is subject to potential failures of its collection and conveyance sewers that can result in unexpected repair costs, litigation expenses and regulatory fines. See, for example, "REGULATORY REQUIREMENTS AFFECTING OPERATION OF THE SYSTEM – Wastewater Overflows" herein. Although the CIP includes projects to rehabilitate major conveyance sewers, no assurance can be given that future sewer failures will not occur.

On July 11, 2021, a wastewater overflow occurred at HWRP. See "REGULATORY REQUIREMENTS AFFECTING OPERATION OF THE SYSTEM – Wastewater Overflows" herein. The City cannot determine at this time the extent of the financial impact of this incident as the costs of repair to the facility and equipment, the amount of resulting fees and fines by regulatory agencies, and other incidental costs and/or damages are currently unknown but such amounts are likely to be substantial.

Statutory and Regulatory Compliance

Changes in the scope and standards for public agency wastewater systems, such as the System, may lead to increasingly stringent operating requirements and the imposition of administrative orders issued by Federal or State regulators. Future compliance with such requirements and orders can impose substantial additional costs on the SCM Fund. See “REGULATORY REQUIREMENTS AFFECTING OPERATION OF THE SYSTEM” herein. In addition, claims against the System for failure to comply with applicable laws and regulations could be significant. Such claims are payable from assets of the System or from other legally available sources. No assurance can be given that the cost of compliance with such existing or future laws, regulations and orders would not adversely affect the ability of the System to generate Revenues sufficient to pay debt service on the Subordinate Bonds, including the Series 2022-AB Subordinate Bonds.

Utility Costs

No assurance can be given that any future significant reduction or loss of power would not materially adversely affect the operations of the System. The volume of wastewater conveyed and treated in the System on a daily basis requires a significant amount of electrical and thermal power. Electricity is needed to run pumps, lights, computers, mechanical valves and other machinery. Thermal energy, usually generated by electrical power or by burning natural gas, provides heat and cooling necessary for both buildings and the wastewater treatment process. Prices for electricity or gas may increase, which could adversely affect the System’s financial condition. The System partially migrates this uncertainty with its cogeneration facility at HWRP, which converts biogas into power in amounts roughly equivalent to HWRP’s electrical demand.

Impact of Economic Conditions on System Revenues

Past recessions and major economic disruptions, including disruptions caused by the COVID-19 pandemic, have adversely affected economic activity of the region in general, in particular resulting in decreased economic activity and increased unemployment. The City cannot predict how long the economic downturn caused by the COVID-19 pandemic will last or the extent of the fiscal problems that will be encountered in any future economic downturn. Reduction in System users’ ability to pay rates and charges, and reduction in the rate at which new customers are added to the System, can adversely impact System Revenues.

Infectious Disease Outbreak and Potential Impacts of COVID-19

The City’s operations and financial results could be harmed by a national or localized outbreak of a highly contagious or epidemic disease, such as the current COVID-19 pandemic. The City cannot predict any costs associated with the potential response to an infectious disease outbreak.

The outbreak of COVID-19 has had an adverse effect on, among other things, the national and local economies, 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 action designed to mitigate the spread of COVID-19. These measures included the imposition by the State of the Regional Stay Home Order in March 2020, which required those in regions in the “widespread” risk level (including the City) to, among other things, close many non-essential indoor business operations and stay home or at their place of residence except as necessary to conduct activities. On January 25, 2021, the State’s Regional Stay at Home Order was lifted, and counties returned to their applicable tier under the State’s Blueprint for a Safer Economy plan for reopening certain

businesses and 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 vaccinations against COVID-19 have been approved and are now being 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 re-imposed in the future, depending on the course of the pandemic and other factors.

The City cannot predict (i) the duration or extent of the COVID-19 outbreak; (ii) to what extent the COVID-19 outbreak may affect the operations and revenues of the System; (iii) to what extent COVID-19 may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact System-related construction, the cost, sources of funds, schedule or implementation of the System's capital improvement program, or other System operations; (iv) to what extent the City may provide additional deferrals, forbearances, adjustments or other changes to its customers or LADWP's billing and collection procedures; or (v) whether any of the foregoing may have a material adverse effect on the finances and operations of the System. Prospective investors should consider that the restrictions and limitations instituted related to COVID-19 may increase (even after they are decreased), and the upheaval to the national and global economies may continue and/or be exacerbated, at least over the near term, and the recovery may be prolonged, and therefore, COVID-19 may adversely impact System revenues.

See "IMPACTS OF THE COVID-19 PANDEMIC" and "FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM—Billing and Collection."

Acceleration; Limitations on Remedies

The Senior General Resolution and the Subordinate General Resolution provide that, upon and during the continuance of an Event of Default, the principal of and interest accrued on all Senior Lien Bonds and Subordinate Bonds, respectively, subject to certain conditions, may be declared to be due and payable immediately. The foregoing notwithstanding, the remedy of acceleration is subject to the limitations on legal remedies against public entities in the State, including a limitation on enforcement obligations against funds needed to serve the public welfare and interest. Also, any remedies available to the Owners of the Series 2022-AB Subordinate Bonds upon the occurrence of an Event of Default under the respective Resolutions are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Further, enforceability of the rights and remedies of the Owners of the Series 2022-AB Subordinate Bonds may become subject to (i) the Federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, (ii) equity principles which may limit the specific enforcement of certain remedies, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the exercise of the state police powers. Remedies available to the Owners of the Series 2022-AB Subordinate Bonds are in many respects dependent upon judicial action which is often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Effect of Federal Sequestration on Refundable Credits

The Refundable Credits payable by the Federal government in connection with the Series 2010-A Senior Lien Bonds and Series 2010-B Senior Lien Bonds are subject to reduction pursuant to existing federal law, which requires that the federal budget authority for all accounts in the domestic mandatory spending category, including payments to issuers of direct-pay bonds such as the City, be reduced beginning federal fiscal year 2013 (the "Sequestration"). Prior to March 1, 2013, the City received

Refundable Credits from the United States Treasury equal to 35% of the interest payable on the Series 2010-A Senior Lien Bonds and periodic Refundable Credits from the United States Treasury equal to 45% of the interest payable on the Series 2010-B Senior Lien Bonds. As a result of the Sequester (herein defined), the City expects to receive an estimated \$335,810 reduction in Refundable Credits in connection with the Series 2010-A Senior Lien Bonds and the Series 2010-B Senior Lien Bonds for the current federal fiscal year ending September 30, 2021, and \$335,810 for the federal fiscal year ending September 30, 2022. The Refundable Credits are pledged only to the payment of the Series 2010-A Senior Lien Bonds and Series 2010-B Senior Lien Bonds. The Resolutions provide for an offset to debt service on the Direct Subsidy Bonds and a corresponding offset to Revenues in the amount of the Refundable Credits. The City has paid and will continue to pay debt service on its Bonds without accounting for the Refundable Credits expected to be received from the Federal government. The reduction in the amount of Refundable Credits from the Federal government reduces the amounts available to pay debt service on the Direct Subsidy Bonds. However, such reduction is not expected to materially adversely impact the City's ability to pay debt service on the Series 2022-AB Subordinate Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022-AB SUBORDINATE BONDS – Amendment to the Resolutions Relating to the Refundable Credits" herein.

Security of the System

The System is subject to safety and security inspections on a continuing basis by the City. All four water reclamation plants in the System are maintained as secured facilities, with fences, gates and security guards. All pumping plants with above-ground structures have security fences. Subterranean pumping plants have padlocked hatches. Improved communications systems are being implemented. However, damage to the System resulting from vandalism, sabotage, or terrorist activities may adversely impact the operations and finances of the System. There can be no assurance that the City's security, emergency preparedness and response plans will be adequate to prevent or mitigate such damage, or that the costs of maintaining such security measures will not be greater than currently anticipated. The City has established the Emergency Fund, which may be used by the City, if other funds are not readily available and sufficient, to pay extraordinary and unexpected repair or replacement expenses of the System or liability claims related to the System. See also "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022-AB SUBORDINATE BONDS – Insurance and Condemnation" herein for a description of insurance for the System.

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 Los Angeles Police Department 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 a web application firewall and an endpoint protection system to quickly identify and respond to cyber-attacks targeted at its 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 composed 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.

In addition to the City cybersecurity preparations, the Bureau of Sanitation Wastewater Industrial Control Systems (“ICS”) network is firewalled from the rest of the City’s business network. This design is consistent with the Department of Homeland Security’s recommended secure network architecture and provides the Bureau of Sanitation with extra layers of protection against possible cyber threats that may impact ICS. The Bureau of Sanitation is an active member of the City’s CICC, conducts regular employee cybersecurity awareness training, and makes on-going investments through our Capital Equipment Replacement Program to improve the Bureau of Sanitation Information Technology and cybersecurity infrastructures including but not limited to replacing end-of-life equipment to ensure that security patches are available, deploying/upgrading intrusion prevention/detection systems, end-point protection, security event and incident management, and cybersecurity monitoring. The Bureau of Sanitation Cybersecurity team also engages directly with the Department of Homeland Security Industrial Control Systems Cyber Emergency Response Team, and conducts assessments and mitigation strategies as appropriate. The Bureau of Sanitation also actively participates in the annual Cybersecurity Tabletop Exercise facilitated by the Department of Homeland Security to test and enhance cyber incident response capabilities.

In 2011, the City undertook a security upgrade project to secure the DCS from all accidental and malicious attacks using best management practices and utilizing appropriate technologies and best secure network designs. The upgrades sought to protect all entry points and to logically separate all facility DCSLANs (collectively DCS Network) from the Bureau of Sanitation Business Network on physically separated network devices. The system is designed so there is only one access point between the DCS Network and the business network. Network management software monitors all devices on the DCS Network. Antivirus software monitors the DCS Network and virus files are maintained to the current status to detect malicious code, prevent it from infecting the system, and remove malicious code that has infected the system.

An isolation zone (“DMZ”) between the protected DCS Network and external users has been established. As a result, all interface of the DCS Network to the business network (Remote Network) are through the DMZ.

Loss of Tax Exemption

As discussed under “TAX MATTERS,” interest on the Series 2022-A Subordinate Bonds could fail to be excluded from the gross income of the owners thereof for purposes of federal income taxation retroactive to the date of the issuance of the Series 2022-A Subordinate Bonds as a result of future acts

or omissions of the City in violation of its covenants to comply with requirements of the Internal Revenue Code of 1986, as amended (the “Code”). Should such an event of taxability occur, the Series 2022-A Subordinate Bonds are not subject to redemption or any increase in interest rate as a result of such event of taxability.

Change in Tax Law

As discussed under “TAX MATTERS,” current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2022-A Subordinate Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest.

Senior and Parity Debt

As described in “SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2022-AB SUBORDINATE BONDS – Additional Subordinate Bonds” and “- Additional Senior Lien Bonds” above, if certain conditions are met, the Subordinate General Resolution and the Senior General Resolution, respectively, permits the City to incur obligations which would be payable on parity with or senior to the Series 2022-AB Subordinate Bonds, as applicable. In the event of a decline in Net Revenues, the existence of the parity and senior obligations could adversely affect the City’s ability to make debt service payments with respect to the Series 2022-AB Subordinate Bonds.

Uncertainties of Projections, Forecasts and Assumptions

Certain information contained in this Official Statement is based upon assumptions and projections. Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, such projections are not necessarily indicative of future performance, and the City assumes no responsibility for the accuracy of such projections. See the caption “INTRODUCTION — Forward-Looking Statements.”

TAX MATTERS

Series 2022-A Subordinate Bonds

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 Series 2022-A Subordinate 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 Series 2022-A Subordinate Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2022-A Subordinate Bonds. Pursuant to the Resolutions and the Tax Certificate executed by the City (the “Tax Certificate”), the City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2022-A Subordinate Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the City has made certain representations and certifications in the Resolutions 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 City described above, interest on the Series 2022-A Subordinate 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 Series 2022-A Subordinate 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 Series 2022-A Subordinate Bonds nor as to the taxability of the Series 2022-A Subordinate 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 Series 2022-A Subordinate Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Series 2022-A Subordinate 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 Series 2022-A Subordinate 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. Series 2022-A Subordinate 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 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 Series 2022-A Subordinate 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 Series 2022-A Subordinate 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 Series 2022-A Subordinate Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2022-A Subordinate 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 Series 2022-A Subordinate 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 F. 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 Series 2022-A Subordinate 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 Series 2022-A Subordinate Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2022-A Subordinate 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 Series 2022-A Subordinate 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 Series 2022-A Subordinate Bonds may occur. Prospective purchasers of the Series 2022-A Subordinate Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2022-A Subordinate 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 Series 2022-A Subordinate Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2022-A Subordinate Bonds, or the interest thereon, if any action is taken with respect to the Series 2022-A Subordinate Bonds or the proceeds thereof upon the advice or approval of other counsel.

Series 2022-B Subordinate Bonds

Federal Income Taxes. The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2022-B Bond Subordinate Bonds. The summary is based upon the provisions of the Code, the Treasury Regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Series 2022-B Subordinate Bonds held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series 2022-B Subordinate Bonds as a hedge against currency risks or as a position in a “straddle,” “hedge,” “constructive sale transaction” or “conversion transaction” for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers that acquire Series 2022-B Subordinate Bonds at their initial issue price except where otherwise specifically noted. Potential purchasers of the Series 2022-B Subordinate Bonds should consult

their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Series 2022-B Subordinate Bonds.

The Issuer has not sought and will not seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

U.S. Holders. As used herein, the term “**U.S. Holder**” means a beneficial owner of Series 2022-B Subordinate Bonds that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (c) an estate whose income is subject to federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Series 2022-B Subordinate Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) that holds Series 2022-B Subordinate Bonds, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Series 2022-B Subordinate Bonds.

Taxation of Interest Generally. Interest on the Series 2022-B Subordinate Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code and so will be fully subject to federal income taxation. Purchasers will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2022-B Subordinate Bonds. In general, interest paid on the Series 2022-B Subordinate Bonds and recovery of any accrued original issue discount and market discount will be treated as ordinary income to a bondholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to the extent of the U.S. Holder’s adjusted tax basis in the Series 2022-B Subordinate Bonds and capital gain to the extent of any excess received over such basis.

Recognition of Income Generally. Section 451(b) of the Code provides that purchasers using an accrual method of accounting for U.S. federal income tax purposes may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such purchaser. In this regard, Treasury Regulations provide that, with the exception of certain fees, the rule in section 451(b) will generally not apply to the timing rules for original issue discount and market discount, or to the timing rules for de minimis original issue discount and market discount. Prospective purchasers of the Series 2022-B Subordinate Bonds should consult their own tax advisors regarding any potential applicability of these rules and their impact on the timing of the recognition of income related to the Series 2022-B Subordinate Bonds under the Code.

Original Issue Discount. The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Series 2022-B Subordinate Bonds issued with original issue discount (“**Discount Series 2022-B Subordinate Bonds**”). A Series 2022-B Subordinate Bond will be treated as having been issued with an original issue discount if the excess of its “stated redemption price at maturity” (defined below) over its issue price (defined as the initial offering

price to the public at which a substantial amount of the Series 2022-B Subordinate Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Series 2022-B Subordinate Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of an installment obligation, its weighted average maturity).

A Series 2022-B Subordinate Bond's "stated redemption price at maturity" is the total of all payments provided by the Series 2022-B Subordinate Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate or certain floating rates.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Series 2022-B Subordinate Bond is the sum of the "daily portions" of original issue discount with respect to such Discount Series 2022-B Subordinate Bond for each day during the taxable year in which such holder held such Series 2022-B Subordinate Bond. The daily portion of original issue discount on any Discount Series 2022-B Subordinate Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Series 2022-B Subordinate Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Series 2022-B Subordinate Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Series 2022-B Subordinate Bond at the beginning of any accrual period is the sum of the issue price of the Discount Series 2022-B Subordinate Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Series 2022-B Subordinate Bond that were not qualified stated interest payments. Under these rules, holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include in gross income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on a Series 2022-B Subordinate Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Market Discount. A holder who purchases a Series 2022-B Subordinate Bond at a price which includes market discount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) in excess of a prescribed de minimis amount will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such holder will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2022-B Subordinate Bond as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such holder on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

A holder of a Series 2022-B Subordinate Bond who acquires such Series 2022-B Subordinate Bond at a market discount also may be required to defer, until the maturity date of such Series 2022-B Subordinate Bond or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2022-B Subordinate Bond in excess of the aggregate amount of interest (including original issue discount) includable in such holder's gross income for the taxable year with respect to such Series 2022-B Subordinate Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2022-B Subordinate Bonds for the days during the taxable year on which the holder held the Series 2022-B Subordinate Bonds and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2022-B Subordinate Bonds matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondholder elects to include such market discount in income currently as described above.

Bond Premium. A holder of a Series 2022-B Subordinate Bond who purchases such Series 2022-B Subordinate Bond at a cost greater than its remaining redemption amount will have amortizable bond premium. If the holder elects to amortize this premium under Section 171 of the Code (which election will apply to all Series 2022-B Subordinate Bonds held by the holder on the first day of the taxable year to which the election applies and to all Series 2022-B Subordinate Bonds thereafter acquired by the holder), such a holder must amortize the premium using constant yield principles based on the holder's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of Series 2022-B Subordinate Bonds who acquire such Series 2022-B Subordinate Bonds at a premium should consult with their own tax advisors with respect to federal, state and local tax consequences of owning such Series 2022-B Subordinate Bonds.

Surtax on Unearned Income. Section 1411 of the Code generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this provision in their particular circumstances.

Sale or Redemption of Series 2022-B Subordinate Bonds. A bondholder's adjusted tax basis for a Series 2022-B Subordinate Bond is the price such holder pays for the Series 2022-B Subordinate Bond plus the amount of original issue discount and market discount previously included in income and reduced on account of any payments received on such Series 2022-B Subordinate Bond other than "qualified stated interest" and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2022-B Subordinate Bond, measured by the difference between the amount realized and the bondholder's tax basis as so adjusted, will generally give rise to capital gain or loss if the Series 2022-B Subordinate Bond is held as a capital asset (except in the case of Series 2022-B Subordinate Bonds acquired at a market discount, in which case a portion of the gain will be characterized as interest and therefore ordinary income).

If the terms of a Series 2022-B Subordinate Bond are materially modified, in certain circumstances, a new debt obligation would be deemed "reissued", or created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those related to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. In addition, the defeasance of a Series 2022-B Subordinate Bond under the defeasance provisions of the Resolutions could result in a deemed sale or exchange of such Series 2022-B Subordinate Bond.

EACH POTENTIAL HOLDER OF SERIES 2022-B SUBORDINATE BONDS SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING (1) THE TREATMENT OF GAIN OR LOSS ON SALE, REDEMPTION OR DEFEASANCE OF THE SERIES 2022-B SUBORDINATE BONDS, AND (2) THE CIRCUMSTANCES IN WHICH SERIES 2022-B SUBORDINATE BONDS WOULD BE DEEMED REISSUED AND THE LIKELY EFFECTS, IF ANY, OF SUCH REISSUANCE.

Non-U.S. Holders. The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Series 2022-B Subordinate Bonds by a person other than a U.S. Holder, a former United States citizen or resident, or a partnership or entity treated as a partnership for United States federal income tax purposes (a "**Non-U.S. Holder**").

Subject to the discussion of backup withholding and the Foreign Account Tax Compliance Act ("**FATCA**"), payments of principal by the Issuer or any of its agents (acting in its capacity as agent) to any Non-U.S. Holder will not be subject to federal withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, federal withholding tax will apply unless the Non-U.S. Holder (1) does not own (actually or constructively) 10% or more of the voting equity interests of the Issuer, (2) is not a controlled foreign corporation for United States tax purposes that is related to the Issuer (directly or indirectly) through stock ownership, and (3) is not a bank receiving interest in the manner described in Section 881(c)(3)(A) of the Code. In addition, either (1) the Non-U.S. Holder must certify on the applicable IRS Form W-8 (series) (or successor form) to the Issuer, its agents or paying agents or a broker under penalties of perjury that it is not a U.S. person and must provide its name and address, or (2) a securities clearing organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business and that also holds the Series 2022-B Subordinate Bonds must certify to the Issuer or its agent under penalties of perjury that such statement on the applicable IRS Form W-8 (series) (or successor form) has been received from the Non-U.S. Holder by it or by another financial institution and must furnish the interest payor with a copy.

Interest payments may also be exempt from federal withholding tax depending on the terms of an existing federal income tax treaty, if any, in force between the U.S. and the resident country of the Non-U.S. Holder. The U.S. has entered into an income tax treaty with a limited number of countries. In addition, the terms of each treaty differ in their treatment of interest and original issue discount payments. Non-U.S. Holders are urged to consult their own tax advisor regarding the specific tax consequences of

the receipt of interest payments, including original issue discount. A Non-U.S. Holder that does not qualify for exemption from withholding as described above must provide the Issuer or its agent with documentation as to his, her, or its identity to avoid the U.S. backup withholding tax on the amount allocable to a Non-U.S. Holder. The documentation may require that the Non-U.S. Holder provide a U.S. tax identification number.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Series 2022-B Subordinate Bond held by such holder is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (subject to a reduced rate under an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Series 2022-B Subordinate Bond will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States federal withholding tax.

Generally, any capital gain realized on the sale, exchange, retirement or other disposition of a Series 2022-B Subordinate Bond by a Non-U.S. Holder will not be subject to United States federal income or withholding taxes if (1) the gain is not effectively connected with a United States trade or business of the Non-U.S. Holder, and (2) in the case of an individual, the Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

For newly issued or reissued obligations, such as the Series 2022-B Subordinate Bonds, FATCA imposes U.S. withholding tax on interest payments and, for dispositions after December 31, 2018, gross proceeds of the sale of the Series 2022-B Subordinate Bonds paid to certain foreign financial institutions (which is broadly defined for this purpose to generally include non-U.S. investment funds) and certain other non-U.S. entities if certain disclosure and due diligence requirements related to U.S. accounts or ownership are not satisfied, unless an exemption applies. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify these requirements. In any event, bondholders or beneficial owners of the Series 2022-B Subordinate Bonds shall have no recourse against the Issuer, nor will the Issuer be obligated to pay any additional amounts to “gross up” payments to such persons, as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to payments in respect of the Series 2022-B Subordinate Bonds. However, it should be noted that on December 13, 2018, the IRS issued Proposed Treasury Regulation Section 1.1473-1(a)(1) which proposes to remove gross proceeds from the definition of “withholdable payment” for this purpose.

Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of federal withholding and other taxes upon income realized in respect of the Series 2022-B Subordinate Bonds.

State Taxes. Bond Counsel is also of the opinion that interest on the Series 2022-B Subordinate 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 Series 2022-B Subordinate Bonds nor as to the taxability of the Series 2022-B Subordinate Bonds or the income therefrom under the laws of any state other than the State of California.

Changes in Law and Post Issuance Events. Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the inclusion in gross income of interest on the Series 2022-B Subordinate Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2022-B Subordinate 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), or otherwise. It is not possible to predict whether any such legislative or administrative actions or court decisions will occur or have an adverse impact on the federal or state income tax treatment of holders of the Series 2022-B Subordinate Bonds. Prospective purchasers of the Series 2022-B Subordinate Bonds should consult their own tax advisors regarding the impact of any change in law or proposed change in law on the Series 2022-B Subordinate Bonds.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2022-B SUBORDINATE BONDS.

CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA (“ERISA Plans”). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein (“Qualified Retirement Plans”), and on Individual Retirement Accounts (“IRAs”) described in Section 408(b) of the Code (collectively, “Tax-Favored Plans”). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA) (“Governmental Plans”), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) (“Church Plans”), are not subject to ERISA requirements. Additionally, such Governmental and Church Plans are not subject to the requirements of Section 4975 of the Code but may be subject to applicable federal, state or local law (“Similar Laws”) which is, to a material extent, similar to the foregoing provisions of ERISA or the Code. Accordingly, assets of such plans may be invested in the Series 2022-AB Subordinate Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of Similar Laws.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan’s investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, “Benefit Plans”) and persons who have certain specified relationships to the Benefit Plans (“Parties In Interest” or “Disqualified Persons”), unless a statutory or administrative exemption is available. The definitions of “Party in Interest” and “Disqualified Person” are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; (3) an employer or employee organization any of whose employees or members are covered by the plan; and (4) the owner of an IRA. Certain Parties in Interest

(or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available. Without an exemption an IRA owner may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Series 2022-AB Subordinate Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Issuer were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the “Plan Assets Regulation”), the assets of the Issuer would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 only of the Code if the Benefit Plan acquires an “equity interest” in the Issuer and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little guidance on this matter, it appears that the Series 2022-AB Subordinate Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. This determination is based upon the traditional debt features of the Series 2022-AB Subordinate Bonds, including the reasonable expectation of purchasers of Series 2022-AB Subordinate Bonds that the Series 2022-AB Subordinate Bonds will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features.

However, without regard to whether the Series 2022-AB Subordinate Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of Series 2022-AB Subordinate Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer or the Issuing and Paying Agent, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Series 2022-AB Subordinate Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Series 2022-AB Subordinate Bond. Included among these exemptions are: Prohibited Transaction Class Exemption (“PTCE”) 96-23, regarding transactions effected by certain “in-house asset managers”; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by “insurance company general accounts”; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.” Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving “adequate consideration” with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate’s) status as a service provider to the Benefit Plan involved and none of whom is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Series 2022-AB Subordinate Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

By acquiring a Series 2022-AB Subordinate Bond (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a plan, its fiduciary) is deemed to represent and warrant that either (i) it is not acquiring the Series 2022-AB Subordinate Bond (or interest therein) with the assets of a Benefit Plan, Governmental plan or Church plan; or (ii) the acquisition and holding of the Series 2022-AB Subordinate Bond (or interest therein) will not give rise to a nonexempt prohibited transaction

under Section 406 of ERISA or Section 4975 of the Code or Similar Laws. A purchaser or transferee who acquires Series 2022-AB Subordinate Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

Because the Issuer, the Trustee, Underwriters or any of their respective affiliates may receive certain benefits in connection with the sale of the Series 2022-AB Subordinate Bonds, the purchase of the Series 2022-AB Subordinate Bonds using plan assets of a Benefit Plan over which any of such parties has investment authority or provides investment advice for a direct or indirect fee may be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code or Similar Laws for which no exemption may be available. Accordingly, any investor considering a purchase of Series 2022-AB Subordinate Bonds using plan assets of a Benefit Plan should consult with its counsel if the Issuer, the Trustee or the Underwriters or any of their respective affiliates has investment authority or provides investment advice for a direct or indirect fee with respect to such assets or is an employer maintaining or contributing to the Benefit Plan.

Any ERISA Plan fiduciary considering whether to purchase the Series 2022-AB Subordinate Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of Similar Law.

CONTINUING DISCLOSURE

In order to provide certain continuing disclosure with respect to the Series 2022-AB Subordinate Bonds in accordance with the Rule, the City has executed a Continuing Disclosure Certificate (“Disclosure Certificate”) for the benefit of the Owners of the Series 2022-AB Subordinate Bonds, pursuant to which Digital Assurance Certification, L.L.C. will serve as the initial dissemination agent. The form of Disclosure Certificate is attached hereto as Appendix H.

Under the Disclosure Certificate, the City will covenant for the benefit of Owners and Beneficial Owners of the Series 2022-AB Subordinate Bonds to provide certain annual financial information and operating data, including its audited financial statements for the SCM Fund, relating to the System by not later than June 30 of each Fiscal Year, commencing on June 30, 2023 for the report for Fiscal Year 2021-22, or if the fiscal year-end changes from June 30, not later than 365 days after the end of the City’s Fiscal Year (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Listed Events”). The Annual Reports and notices of Listed Events will be filed pursuant to the Rule with the Electronic Municipal Market Access (“EMMA”) database. These covenants will be made in order to assist the Underwriters of the Series 2022-AB Subordinate Bonds in complying with 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 lease revenue bonds and notes issued through the Municipal Improvement Corporation of Los Angeles), 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 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 notices within 10 days of the incurrence of the Purchase and Assignment Agreement with the Corporation and Banc of America Public Capital Corporation in accordance with certain of the City's continuing disclosure undertakings. On October 24, 2019, the City filed notice of the incurrence of this agreement 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 2015 through 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.

LITIGATION

There is no controversy of any nature now pending against the City or, to the knowledge of its respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2022-AB Subordinate Bonds or in any way contesting or affecting the validity of the Series 2022-AB Subordinate Bonds or any proceedings of the City 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 Series 2022-AB Subordinate Bonds or the use of the proceeds of the Series 2022-AB Subordinate Bonds. There are no pending lawsuits that in the opinion of the City Attorney challenge the validity of the Series 2022-AB Subordinate Bonds, the corporate existence of the City, or the title of the executive officers to their respective offices.

Certain Claims Against the SCM Fund

The City is routinely a party to a variety of pending and threatened lawsuits and administrative proceedings, including those that may affect the SCM Fund of the City. The Office of the City Attorney has prepared the following summary, as of November 30, 2021 of certain claims and lawsuits (with a potential loss exceeding \$1 million) pending against the City that affect the SCM Fund for construction claims and certain other alleged liabilities arising during the ordinary course of operations of the System.

Hoffman v. City. The case is a putative class action lawsuit challenging the City's calculation of the annual, fiscal year Dry Winter Compensation Factor ("DWCF") relating to residential sewer service charges. The City has utilized a "Winter Water Use" method since 1997. The method assumes that while most water delivered during the winter season to a residence is returned to the sewer system, some is used for landscape irrigation (and therefore does not go down the sewer). A residential customer's sewage volume is calculated by multiplying the resident's lowest average daily water use in winter by the DWCF.

The complaint alleges the City is charging too much for residential sewer service charges based on a miscalculation of the DWCF and seeks a refund of any such overpayments.

There are four causes of action alleged in the lawsuit (accounting, monies had and received, declaratory relief, and violation of Proposition 218/Article 13D of the California Constitution).

A court trial proceeded in this matter in February and March 2021, and the court's Statement of Decision was served on June 30, 2021. The court determined the City did not comply with the applicable Los Angeles Municipal Code Section and the Board of Public Works Rules and Regulations in setting the DWCF, and overcharged residential customers. The court further determined that the annual DWCF determination resulted in a "new or increased fee" under Proposition 218, which mandated the City to provide customers with notice and an opportunity to protest the annual DWCF determination, which the City did not do.

A later trial (for which date not yet set) is anticipated to proceed on plaintiffs' Proposition 218 "substantive violation" claim (i.e., whether the City used the revenues derived from residential sewer services charges for non-sewer related purposes) and their damages.

Potential damages in this case for all causes of action related to this litigation will be subject to discovery and expert opinion, which has not yet been performed, and may be in the range of, or excess of, \$180 million, plus possible revenue loss per year in the future. The parties have agreed to attempt to mediate this matter, with mediation scheduled for late January 2022.

Mecklenburg v. Hyperion Water Reclamation Plant. On July 30, 2021, El Segundo resident Susan Mecklenburg filed a class action complaint against the City related to the July 11, 2021 incident involving HWRP. Under various tort theories (primarily negligence and nuisance), the putative class plaintiff generally alleges that the City's operation, management, supervision, control and repairs of HWRP have been unreasonable or problematic in a number of ways, including having ineffective emergency plans or emergency discharge prevention practices; inadequate inspections or evaluations in regard to plant safety; poor planning, prevention, or reaction to the overflow event; and failures to issue prompt notifications including to the public of the event, among other factual allegations. The plaintiff alleges that the foregoing caused or contributed to the July 11, 2021 sewage discharge incident from HWRP and the alleged odors impacting the surrounding community since. The class action complaint does not seek a specific sum of damages. The complaint was served on August 3, 2021. The City is currently evaluating the claims and there is currently no estimate of any potential liability.

Jessy Hernandez v. City of Los Angeles. The incident giving rise to the claim occurred on April 1, 2018, when Jesse Hernandez (sometimes spelled Jessy), who was 13 years old at the time, and some of his cousins were playing in an abandoned concrete maintenance shack near the Griffith Park's Travel Town area. While in the shack, Jesse fell about 25 feet into a sewer pipe containing toxic water. Jesse was subject to untreated sewer for approximately 13 hours until he was rescued. A claim on Jesse's behalf has been submitted to the City, seeking damages in the amount of \$5,000,000. Based on plaintiff's medical record and a psychological report, the range of exposure in this case is \$125,000 to \$750,000. Evaluation of the potential exposure in this case may change as the City learns more through depositions, medical evaluations of the plaintiff and through other experts. Trial is scheduled for June 24, 2022.

6th Street Bridge Sewage Overflow. On July 18, 2016, 2,630,754 gallons of untreated sewage overflowed by the 6th Street Bridge. The State Water Resources Control Board and Regional Water Quality Control Board proposed a penalty on the City in the amount of \$2,971,635. The City is engaged in ongoing settlement discussions with the State in an attempt to resolve this matter.

Miles v. City. The case is a class action (certified on February 28, 2019) by sewer maintenance workers seeking compensation and penalties for claimed missed meal and rest breaks under the California wage order associated with the transportation industry under the California Labor Code.

The City filed a motion for summary judgment, which was granted by the Court. The Court entered summary judgment in favor of the City on June 10, 2019. Plaintiffs sought leave to file a fifth amended complaint, which the City opposed. The Court denied the plaintiffs' motion, and entered final judgment in the City's favor on June 25, 2019. Plaintiffs filed an appeal. On October 28, 2020, the Court of Appeals published its opinion, affirming the trial court's rulings in favor of the City. On December 2, 2020, Plaintiffs filed a petition for review with the California Supreme Court. Potential exposure in this case is in the \$10 million to \$15 million range, but the City believes plaintiffs' probability of success on appeal is low.

LaSalle v. City. Plaintiff sued the City and two employees alleging roughly a dozen causes of action based on race: California Fair Employment and Housing Act ("FEHA") discrimination, harassment-hostile work environment, retaliation, failure to prevent racial discrimination, assault and battery, discrimination in violation of the Ralph Civil Rights of 1976, Civil Code Section 51.7, intentional infliction of emotional distress, whistleblower retaliation for reporting Labor Code Sections 6310, 6400-6404 reporting health and safety issues, and whistleblower retaliation under Labor Code Section 1102.5. The estimated potential loss is in the range of \$2 to \$5 million but it is still early in the litigation to determine how likely (and in what amount) liability will be. Trial is set for May 9, 2022.

Pierson v. City. Plaintiff, a Wastewater Collection Supervisor, alleges eighteen cause of action against the City and a City employee based on his status as a sergeant in the U.S. Army and currently as a member of the California Army National Guard under the FEHA, including the California Family Rights Act, California Military & Veteran Code, and the Uniformed Services Employment and Reemployment Rights Act ("USERRA"). He claims that the City retaliated against him for testifying in the case where the jury returned a \$17 million verdict (*Pearl v. City* case), harassed and discriminated against him for using family leave. He alleges that the City did not return him to the workstation that he occupied when he returned from military assignment, and that he has not been promoted to emergency or acting Wastewater Manager. He claims FEHA disability discrimination, harassment, and retaliation based on physical disability and post-traumatic stress disorder, along with retaliation under Labor Code Section 1102.5 and violations of the California Military & Veterans Act and USERRA. The case has been set for trial on February 28, 2023. It is still early in the litigation to determine how likely (and in what amount) liability will be but liability in typical retaliation and FEHA disability cases may range from \$1 million to \$2.5 million.

Fajardo v. City. Plaintiff, an employee of the Bureau of Sanitation, alleges sixteen causes of action against the City and a former City employee with claims of retaliation for previously filing a lawsuit against the City that was settled in 2013, taking intermittent leave to take care of his disabled son, advocating for the promotion of Chicanos and raising concerns about "illegal" or "improper" work assignments. Plaintiff alleges protected characteristics of identifying as Chicano and being associated with his disabled son. Plaintiff seeks both monetary and non-monetary damages, but has not identified any specific amounts. The City has filed a motion for summary judgment which is scheduled to be considered by the court in December 2021. Trial is scheduled for April 2022 for any causes of action that are not dismissed by summary judgement. The estimated range of potential liability for the City is between \$100,000 to \$3,000,000.

LEGAL OPINION

The validity of the Series 2022-AB Subordinate Bonds and certain other matters are subject to the approval of legality by Nixon Peabody LLP, Bond Counsel to the City. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix F attached hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by Kutak Rock LLP, Disclosure Counsel, and by Michael N. Feuer, City Attorney, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), Fitch Ratings ("Fitch") and Kroll Bond Rating Agency have assigned the Series 2022-AB Subordinate Bonds their ratings of "[]," "[]" and "[]," respectively. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: S&P Global Ratings, 55 Water Street, New York, New York 10041; Fitch Ratings, One State Street Plaza, New York, New York 10004; and Kroll Bond Rating Agency, 845 Third Avenue, Fourth Floor, New York, New York 10022. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2022-AB Subordinate Bonds.

UNDERWRITING

The Series 2022-AB Subordinate Bonds are being purchased by Morgan Stanley & Co. LLC, as representative of itself and Citigroup Global Markets Inc., Cabrera Capital Markets, LLC, Drexel Hamilton, LLC, Jefferies LLC ("Jefferies") and Siebert Williams Shank & Co., LLC (collectively, the "Underwriters") at a price of \$_____ (which amount represents the principal amount of the Series 2022-A Subordinate Bonds of \$_____ and the principal amount of the Series 2022-B Subordinate Bonds of \$_____, [plus/minus] an original issue [premium/discount] of \$_____, and less an aggregate underwriters' discount of \$_____). The Underwriters may offer and sell the Series 2022-AB Subordinate Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

The following paragraphs have been provided by the Underwriters:

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, the underwriter of the Series 2022-AB Subordinate Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2022-AB Subordinate Bonds.

Citigroup Global Markets Inc., an underwriter of the Series 2022-AB Subordinate Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global

Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

Jefferies has entered into a distribution agreement with InspereX LLC (“InspereX”) for the retail distribution of municipal securities. Pursuant to the agreement, if Jefferies sells the Bonds to InspereX, it will share a portion of its selling concession compensation with InspereX.

Certain of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISORS

Public Resources Advisory Group and KNN Public Finance have served as Municipal Advisors to the City in connection with the issuance of the Series 2022-AB Subordinate Bonds. The Municipal Advisors have assisted the City in matters relating to the planning, structuring, issuance and sale of the Series 2022-AB Subordinate Bonds. The Municipal Advisors have not audited, authenticated or otherwise independently verified the information set forth in the Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information. The Municipal Advisors make no guaranty, warranty or other representation respecting accuracy and completeness of the Official Statement.

FINANCIAL STATEMENTS AND DEBT SERVICE COMPLIANCE REPORTS

The SCM Fund Financial Statements and Required Supplementary Information for the Fiscal Years ended June 30, 2021 and 2020 (With Independent Auditor’s Report Thereon) and the SCM Fund Debt Service Compliance Report for the Fiscal Year ended June 30, 2020 (With Independent Auditor’s Report Thereon) are included as Appendix E. The financial statements of the SCM Fund for the Fiscal Year ended June 30, 2021 and the SCM Fund Debt Service Compliance Report for the Fiscal Year ended June 30, 2021 have been audited by Macias Gini & O’Connell LLP (“Macias”), independent certified public accountants, as stated in their report. Macias has not consented to the inclusion of its reports in Appendix E and Macias has not undertaken to update its reports 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 with respect to any event subsequent to the date of its reports.

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MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the City.

There are appended to this Official Statement a summary of certain provisions of the Resolutions, a glossary of defined terms, a glossary of System terms, Audited Financial Statements of the SCM Fund, the proposed form of opinion of Bond Counsel, and a general description of the City and a description of the Book-Entry Only System. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Series 2022-AB Subordinate Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All references to the City Charter and the Resolutions are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to such laws and such documents for a full and complete statement of such provisions.

CITY OF LOS ANGELES

By: _____
Assistant City Administrative Officer

APPENDIX A

CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES

The information contained in Appendix A is provided as general information regarding the City of Los Angeles. Investors are advised that no funds or other financial resources of the City discussed in Appendix A are pledged to the payment of the Series 2022-AB Subordinate Bonds. The Series 2022-AB Subordinate Bonds are limited obligations secured by and payable only from the sources of funds described in the Official Statement. See “Security and Sources of Payment for the Series 2022-AB Subordinate Bonds” in the forepart of this Official Statement.

APPENDIX B
GLOSSARY OF DEFINED TERMS
[TO BE PROVIDED]

APPENDIX C
SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS
[TO BE PROVIDED]

APPENDIX D

GLOSSARY OF SYSTEM TERMS

The following are definitions of certain terms used in the Official Statement with respect to the System.

“Agencies” means the agencies, including the Cities of Beverly Hills, Burbank, Culver City, El Segundo, Glendale, La Cañada Flintridge, Long Beach, San Fernando and Santa Monica, the Crescenta Valley Water District, the Las Virgenes Municipal Water District, several Los Angeles County Sanitation Districts, the community of Marina Del Rey and Universal City, to which the City currently provides wastewater conveyance, treatment and disposal services on a wholesale basis pursuant to Universal Terms Contracts.

“Authorizations” means, collectively, the City Charter of the City of Los Angeles, and the authority of elections held in the City in 1987, 1988 and 1992, under which the voters of the City authorized the issuance of wastewater system revenue bonds and notes in an aggregate principal amount of \$3,500,000,000.

“BMPs” means best management practices.

“BOD” means biochemical oxygen demand whose strengths are measured as part of the QSF.

“CARB” means the California Air Resources Board.

“CIP” means the Wastewater System Capital Improvement Program.

“CIS” means the Coastal Interceptor Sewer.

“Clean Water Act” means the Federal Water Pollution Control Act as amended.

“COS” means the Central Outfall Sewer.

“DCTWRP” means the Donald C. Tillman Water Reclamation Plant.

“Entities” means, collectively, the 29 sanitation districts, cities, governmental entities and private businesses adjoining the City, which are provided wastewater conveyance, treatment and disposal services by the System.

“FEMA” means the Federal Emergency Management Agency.

“FOG Control Program” means the Fats, Oils and Grease Control Program, a commercial and industrial grease control ordinance implemented by the City.

“HWRP” means the Hyperion Water Reclamation Plant.

“IU” means Industrial User.

“LADWP” means the Department of Water and Power of the City of Los Angeles.

“LAGWRP” means the Los Angeles – Glendale Water Reclamation Plant.

“LARWQCB” means the Los Angeles Regional Water Quality Control Board.

“mgd” means million gallons per day.

“NOS” means the North Outfall Sewer.

“NPDES” means the National Pollutant Discharge Elimination System.

“OM&R” means the operation and maintenance costs, including renewal and replacement, of the System.

“POTWs” means publicly owned treatment works.

“PRC” means Program Review Committee consisting of the Bureau of Sanitation Director and Assistant Directors and a Deputy City Engineer, which annually evaluates the CIP and meets monthly to consider any changes affecting the scope, cost, schedule, and overall implementation of the program.

“QSF” means the Quality Surcharge Fee assessed on users of the wastewater system whose wastewater discharge strength, as measured by SS and BOD, is higher than 265 milligrams per liter of BOD and/or 275 milligrams per liter of SS (domestic strength).

“SCAP” means the Southern California Alliance of Publicly Owned Treatment Works, which consists of the Los Angeles and Orange County Sanitation Districts, the City, and many smaller cities and other jurisdictions, which meet periodically to coordinate efforts to develop a unified strategy and to address air quality issues related to POTWs.

“SCAQMD” means the South Coast Air Management District.

“SCM Fund” means the City’s Sewer Construction and Maintenance Fund, which is comprised of the Sewer Construction and Maintenance Fund, Sewer Operation and Maintenance Fund and the Sewer Capital Fund established under the City’s municipal code as special funds in the City’s treasury.

“SDC” means Sewage Disposal Contracts.

“SFC” means the Sewerage Facilities Charge, which is designed to recover the cost of the System capacity required by new sewer connections and increases in capacity required by current System users.

“SIU” means Significant Industrial User.

“SRF” means the Clean Water State Revolving Fund.

“SS” means suspended solids whose strengths are measured as part of the QSF.

“SSC” means the Sewer Service Charge imposed by the City in connection with wastewater discharged into the System.

“SSRP” means the City’s Secondary Sewer Renewal Program.

“SWRCB” means the California State Water Resources Control Board.

“TIWRP” means the Terminal Island Water Reclamation Plant.

“TMDLs” means total maximum daily loads, whose processes are developed by the LARWQCB and regulated by the Clean Water Act.

“WSC” means Wastewater Service Contracts.

APPENDIX E

CITY OF LOS ANGELES SEWER CONSTRUCTION AND MAINTENANCE FUND FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020 (WITH INDEPENDENT AUDITOR'S REPORT THEREON) AND DEBT SERVICE COMPLIANCE REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (WITH INDEPENDENT AUDITOR'S REPORT THEREON)

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

*Upon issuance of the Series 2022-AB Subordinate Bonds, Nixon Peabody LLP, Los Angeles, California, Bond Counsel to the City of Los Angeles, will render its approving opinion with respect to the Series 2022-AB Subordinate Bonds in substantially the following form: **[BOND COUNSEL TO PROVIDE FORM OF OPINION]***

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix G concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s Book-Entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2022-AB Subordinate Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2022-AB Subordinate Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2022-AB Subordinate Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The City, the Paying Agent and the Underwriters are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2022-AB Subordinate Bonds or an error or delay relating thereto. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company, New York, NY, will act as securities depository for the Series 2022-AB Subordinate Bonds. The Series 2022-AB Subordinate 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 certificate will be issued for each maturity of each Series of the Series 2022-AB Subordinate Bonds, each in the aggregate principal amount of such maturity of such issue, and will be deposited with DTC.

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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National 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 Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2022-AB Subordinate Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022-AB Subordinate Bonds on

DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2022-AB Subordinate 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 Series 2022-AB Subordinate Bonds, except in the event that use of the book-entry system for the Series 2022-AB Subordinate Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022-AB Subordinate Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2022-AB Subordinate Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022-AB Subordinate Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022-AB Subordinate Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2022-AB Subordinate Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2022-AB Subordinate Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Series 2022-AB Subordinate Bonds may wish to ascertain that the nominee holding the Series 2022-AB Subordinate 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.

While the Series 2022-AB Subordinate Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2022-AB Subordinate Bonds of a maturity 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2022-AB Subordinate 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 City 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 Series 2022-AB Subordinate Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Interest on, principal and redemption price of, and other payments on the Series 2022-AB Subordinate 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, 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 City or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, 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.

Beneficial Owner shall give notice to elect to have its Series 2022-AB Subordinate Bonds purchased or tendered, through its Participant, to the City’s designated agent, and shall effect delivery of such Series 2022-AB Subordinate Bonds by causing the Direct Participant to transfer the Participant’s interest in the Series 2022-AB Subordinate Bonds, on DTC’s records, to the City’s designated agent. The requirement for physical delivery of Series 2022-AB Subordinate Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2022-AB Subordinate Bonds are transferred by Direct Participants on DTC’s records and followed by a book-entry credit of tendered Series 2022-AB Subordinate Bonds to the DTC account of the City’s designated agent.

DTC may discontinue providing its services as depository with respect to the Series 2022-AB Subordinate Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Trust Agreement with respect to certificated Series 2022-AB Subordinate Bonds will apply.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF SERIES 2022-AB SUBORDINATE BONDS FOR REDEMPTION.

APPENDIX H

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Los Angeles (the “City”) in connection with the issuance by the City of its City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-A (Green Bonds) and its City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-B (Federally Taxable) (collectively, the “Series 2022-AB Subordinate Bonds”) pursuant to a Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the City Council on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”), including as amended and supplemented by the Twenty-Seventh Supplemental Resolution, adopted by the City Council on [January 26, 2022].

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 pursuant to Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission, for the benefit of the Bondowners and Beneficial Owners in order to assist the Participating Underwriters in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Subordinate General Resolution, 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 Series 2022-AB Subordinate Bonds (including persons holding Series 2022-AB Subordinate Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2022-AB Subordinate Bonds for federal income tax purposes.

“DAC” shall mean Digital Assurance Certification L.L.C.

“Dissemination Agent” shall mean each of the City Administrative Officer of the City, including any interim City Administrative Officer, or any other person authorized to act on the City Administrative Officer’s 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. The initial Dissemination Agent hereunder shall be DAC.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (“EMMA”) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement dated [____], 2022, issued by the City in connection with the sale of the Series 2022-AB Subordinate Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2022-AB Subordinate Bonds required to comply with the Rule in connection with offering of the Series 2022-AB Subordinate Bonds.

“Repository” shall mean the MSRB through its Electronic Municipal Market Access (“EMMA”) site, or another Repository as may be designated by the MSRB from time to time.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Series 2022-AB Subordinate Bonds” shall mean the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-A (Green Bonds) and the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-B (Federally Taxable).

Section 3. Provision of Annual Reports.

(a) The City shall cause the Dissemination Agent to provide not later than June 30 of each fiscal year, commencing on June 30, 2023 for the report for the 2021-22 fiscal year, or if the fiscal year-end changes from June 30, not later than 365 days after the end of the City’s fiscal year, to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 audited financial statements of the Fund (defined below) 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. If the City’s fiscal year changes (the “new fiscal year”), the City shall give notice of such change in the same manner as for a Listed Event under Section 5(d), and the annual date by which the City must provide its annual report shall change to the last day of the fiscal year immediately following the new fiscal year for which such Annual Report is given.

(b) If the City is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form prescribed thereby.

(c) The Dissemination Agent shall, if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City of Los Angeles Sewer Construction and Maintenance Fund (the “Fund”) for the prior fiscal year prepared in accordance with significant accounting policies of the City with respect to the Fund. If such 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 tables and other information set forth in the Official Statement:

“EXISTING WATER RECLAMATION FACILITIES” table.

“WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM EXPENDITURES” table.

“SEWER SERVICE CHARGE BILLED TO TEN LARGEST CUSTOMERS” table.

“SEWER CONSTRUCTION AND MAINTENANCE FUND RATES AND CHARGES” table.

“WASTEWATER SYSTEM SERVICE POINTS AND BILLABLE WASTEWATER VOLUME” table.

“SSC REVENUE BUDGET, BILLINGS, AND REMITTANCE” table.

“BUREAU OF SANITATION AUTHORIZED POSITIONS” table.

“SEWER CONSTRUCTION AND MAINTENANCE FUND RETIREMENT AND OPEB CONTRIBUTIONS” table.

“SEWER CONSTRUCTION AND MAINTENANCE FUND SUMMARY OF OPERATIONS AND DEBT SERVICE COVERAGE (ACCRUAL BASIS)” table.

“SEWER CONSTRUCTION AND MAINTENANCE FUND CASH BALANCES IN ALL FUNDS (UNAUDITED)” table.

“CITY OF LOS ANGELES OUTSTANDING WASTEWATER SYSTEM REVENUE BONDS AND WASTEWATER SYSTEM COMMERCIAL PAPER REVENUE NOTES” table.

(c) An update to the following Sections in the Official Statement: “LITIGATION” and “Appendix A – Certain Information Regarding the City of Los Angeles– BUDGET AND FINANCIAL OPERATIONS.”

The City need not update any particular table or chart 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 MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. 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 Series 2022-AB Subordinate Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties of the City;
- (iv) unscheduled draws on any credit enhancements reflecting financial difficulties of the City;
- (v) substitution of any credit or liquidity providers, or their failure to perform;
- (vi) 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 of determinations with respect to the tax status of the Series 2022-AB Subordinate Bonds, or other material events affecting the tax status of the Series 2022-AB Subordinate Bonds;
- (vii) modifications to the rights of Owners of the Series 2022-AB Subordinate Bonds, if material;
- (viii) bond calls other than scheduled sinking fund redemptions, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property, if any, securing repayment of the Series 2022-AB Subordinate Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the City; provided that for the purposes of the event identified in this clause (xii), 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;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a financial obligation, as defined in the Rule, of the City, if material, or agreement to provide 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

(xvi) 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) 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 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.

(c) Upon the occurrence of a Listed Event, but, in the case of a Listed Event described in Subsection (ii), (vii), (viii) (but only with respect to bond calls), (x), (xiii), (xiv) and (xv) 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.

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 Series 2022-AB Subordinate Bonds. If such termination occurs prior to the final maturity of the Series 2022-AB Subordinate Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) 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 Agreement.

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 Series 2022-AB Subordinate 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 issuance of the bond, 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 Series 2022-AB Subordinate Bonds in the same manner as provided in the Senior General Resolution for amendments to the Senior General Resolution with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Series 2022-AB Subordinate 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(d), 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 Bondowners or Beneficial Owners of Series 2022-AB Subordinate 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 Senior General Resolution, 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 Series 2022-AB Subordinate Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters, Bondowners and Beneficial Owners from time of the Series 2022-AB Subordinate Bonds, and shall create no rights in any other person or entity.

Section 13. Governing Law. The laws of the State of California shall govern this Disclosure Certificate, the interpretation hereof and any right or liability arising hereunder, without regard to principles of conflict of law.

Date: _____, 2022

CITY OF LOS ANGELES

By: _____
Assistant City Administrative Officer

APPENDIX I

PROPOSED CHANGES TO SUBORDINATE GENERAL RESOLUTION

[TO BE PROVIDED BY BOND COUNSEL]

APPENDIX J

PROPOSED CHANGES TO SENIOR GENERAL RESOLUTION

[TO BE PROVIDED BY BOND COUNSEL]

[DAC Logo]

NEW ISSUES – BOOK-ENTRY ONLY SYSTEM

RATINGS:

S&P: “[]”

Fitch: “[]”

Kroll: “[]”

See “RATINGS” herein.

In the opinion of Nixon Peabody LLP, Bond Counsel to the City, under existing law and assuming compliance with the tax covenants described herein and the accuracy of certain representations and certifications made by the City described herein, interest on the Series 2022-C Subordinate Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that interest on the Series 2022-C Subordinate 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 Series 2022-C Subordinate 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.



\$[_____] *
CITY OF LOS ANGELES

**Wastewater System Subordinate Revenue Bonds,
Refunding Series 2022-C**

Dated: Date of Delivery

Due: June 1, as shown on the inside cover

The \$[_____] * City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C (the “Series 2022-C Subordinate Bonds”) are being issued by the City of Los Angeles (the “City”) pursuant to the Charter of the City of Los Angeles (the “City Charter”) and Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”). The Series 2022-C Subordinate Bonds are also issued pursuant to the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”), including as amended and supplemented by the Twenty-Seventh Supplemental Resolution, adopted by the City Council on [January 26], 2022. In addition, the Series 2022-C Subordinate Bonds are being issued pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 *et seq.* and Section 53580 *et seq.*, respectively) of the California Government Code (as amended, the “Refunding Law”).

The proceeds of the Series 2022-C Subordinate Bonds, together with certain other amounts from the City, will be used to: (i) current refund all or a portion of the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2010-A, the outstanding City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2012-A, the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2012-B and Refunding Series 2012-C, and the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding, Series 2018 C-1 and Series 2018 C-2 (collectively, the “Refunded Bonds”); and (ii) pay certain costs of issuing the Series 2022-C Subordinate Bonds. See “PLAN OF FINANCE” herein.

The pledge, assignment and lien on the Revenues (herein defined) granted pursuant to the Senior General Resolution (herein defined) to secure the Senior Lien Bonds (herein defined) issued and to be issued under the Senior General Resolution are, in all respects, prior to the pledge, assignment and lien on the Revenues granted pursuant to the Subordinate General Resolution, including the pledge, assignment and lien with respect to the Series 2022-C Subordinate Bonds and other Subordinate Bonds issued and to be issued pursuant to the Subordinate General Resolution.

The Series 2022-C Subordinate Bonds are special, limited obligations of the City payable solely from the Revenues, on a basis subordinate to the Senior Lien Bonds, and from amounts on deposit in the 2022-C Subordinate Debt Service Fund created pursuant to the Subordinate General Resolution. The City is not obligated to make payments from any other source. The Series 2022-C Subordinate Bonds are not payable from the General Fund of the City and are not a general obligation of the City, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of any amounts due on the Series 2022-C Subordinate Bonds.

Interest on the Series 2022-C Subordinate Bonds will be payable on June 1 and December 1, commencing on June 1, 2022. The Series 2022-C Subordinate Bonds will be issued as fully-registered bonds, will mature in the principal amounts in each year (subject to prior redemption), and will bear interest at the respective rates per annum as set forth on the inside cover of this Official Statement. The Series 2022-C Subordinate Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the Series 2022-C Subordinate Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. So long as DTC or its nominee is the Owner of the Series 2022-C Subordinate Bonds, payments of the principal of, redemption premium, if any, and interest on the Series 2022-C Subordinate Bonds will be made as described in APPENDIX G – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

The Series 2022-C Subordinate Bonds are subject to redemption prior to maturity, as described herein. See “Redemption of the Series 2022-C Subordinate Bonds” herein.

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

Purchasers of the Series 2022-C Subordinate Bonds will be deemed to have consented to certain amendments to the Subordinate General Resolution. See “FUTURE AMENDMENT OF SUBORDINATE GENERAL RESOLUTION AND SENIOR GENERAL RESOLUTION – Amendment of Subordinate General Resolution” herein.

* Preliminary, subject to change.

The Series 2022-C Subordinate Bonds are offered when, as and if issued, subject to the approval of legality by Nixon Peabody LLP, Bond Counsel to the City. Certain legal matters will be passed upon for the City by Kutak Rock LLP, Disclosure Counsel, and by Michael N. Feuer, City Attorney, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation. It is anticipated that the Series 2022-C Subordinate Bonds will be available for delivery to DTC in New York, New York on or about [_____, 2022].

Jefferies
Cabrera Capital Markets, LLC
Morgan Stanley

Goldman Sachs
Drexel Hamilton, LLC
Siebert Williams Shank & Co., LLC

Dated: _____, 2022

MATURITY SCHEDULES

\$[_____]***
CITY OF LOS ANGELES
Wastewater System
Subordinate Revenue Bonds
Series 2022-C

| Year (June 1) | Principal Amount | Interest Rate | Yield | Price[†] | CUSIP[†] (Base: _____) |
|-----------------------------------------------------------------------------|-----------------------------|--------------------------|--------------|--------------------------|--------------------------------------------|
| \$ _____ % Term Bonds due June 1, 20__; Yield ____%; Price ____; CUSIP No.† | | | | | |
| \$ _____ % Term Bonds due June 1, 20__; Yield ____%; Price ____; CUSIP No.† | | | | | |

* Preliminary, subject to change.

† Priced to call at par on June 1, 20__.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriters, or the Municipal Advisors, are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2022-C Subordinate Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2022-C Subordinate Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2022-C Subordinate Bonds.

No dealer, broker, salesperson or other person has been authorized by 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 representations must not be relied upon as having been authorized by 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 Series 2022-C Subordinate 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 Series 2022-C Subordinate 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 information set forth in this Official Statement has been obtained from the City and other sources which are believed by the City to be reliable. The Underwriters (as defined herein) have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their 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 and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the Series 2022-C Subordinate Bonds, the Resolutions (as defined herein) and other documents summarized herein, are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions.

This Official Statement is submitted in connection with the issuance of the Series 2022-C Subordinate Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2022-C SUBORDINATE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2022-C SUBORDINATE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

The City maintains a website at www.lacity.org. The information presented therein is not a part of this Official Statement, is not incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the Series 2022-C Subordinate Bonds.

CITY OF LOS ANGELES

Mayor

[Eric Garcetti]

City Council

| | | |
|---------------------------------------|--------------------------------------------------------|----------------------------------------|
| 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 ¹ (<i>District 10</i>) | Joe Buscaino (<i>District 15</i>) |

CITY OFFICIALS

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

BOARD OF PUBLIC WORKS

Greg Good, President
Aura Garcia, Vice President
Jessica M. Caloza, Commissioner
Dr. Michael R. Davis, President Pro Tempore
M. Teresa Villegas, Commissioner

| | | | |
|----------------------------------------|-----------------------------|-----------------------------------|---------------------------------------------|
| <i>Bureau of Engineering</i> | <i>Bureau of Sanitation</i> | <i>Office of Accounting</i> | <i>Bureau of Contract Administration</i> |
| Gary Lee Moore, P.E., City Engineer | Barbara Romero, Director | Miguel A. De La Peña, Director | John L. Reamer Inspector of Public Works |

SPECIAL SERVICES

City Department Issuing Debt
City Administrative Officer of the City of Los Angeles
Debt Management Group

Bond Counsel
Nixon Peabody, LLP

Disclosure Counsel
Kutak Rock LLP

Paying Agent
Treasurer of the City of Los Angeles

Municipal Advisors

¹ Council Member Ridley-Thomas was suspended on October 20, 2021.

Public Resources Advisory Group
KNN Public Finance, LLC

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OFFICIAL STATEMENT

\$[_____]*

CITY OF LOS ANGELES
Wastewater System
Subordinate Revenue Bonds
Refunding Series 2022-C

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution, the City Charter and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Resolutions (defined herein).

General

The \$[_____] * City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C (the “Series 2022-C Subordinate Bonds”) are being issued by the City of Los Angeles (the “City”) pursuant to the Charter of the City of Los Angeles (the “City Charter”), and Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”). In addition, the Series 2022-C Subordinate Bonds are being issued pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 *et seq.* and Section 53580 *et seq.*, respectively) of the California Government Code (as amended, the “Refunding Law”). The Series 2022-C Subordinate Bonds are also issued pursuant to the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”), including as amended and supplemented by the Twenty-Seventh Supplemental Resolution, adopted by the City Council on [January 26], 2022 (the “Twenty-Seventh Supplemental Resolution”).

The proceeds of the Series 2022-C Subordinate Bonds, together with certain other amounts from the City, will be used to: (i) current refund all or a portion of the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Series 2010-A, the outstanding City of Los Angeles Wastewater System Refunding Revenue Bonds Series 2012-A, the outstanding City of Los Angeles Wastewater System Subordinate Refunding Revenue Bonds Series 2012-B and Series 2012-C, and the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding, Series 2018-C-1 and Series 2018-C-2 (collectively, the “Refunded Bonds”); and (ii) pay certain costs of issuing the Series 2022-C Subordinate Bonds. See “PLAN OF FINANCE” herein.

Under the Wastewater System Revenue Bonds General Resolution, adopted by the City Council on November 10, 1987, as amended and supplemented (the “Senior General Resolution” and, together with the Subordinate General Resolution, the “Resolutions”), the City has previously issued multiple series of Senior Lien Bonds (the “Existing Senior Lien Bonds”). As of January 1, 2022, the City had

* Preliminary, subject to change.

\$971,695,000 aggregate principal amount of Existing Senior Lien Bonds Outstanding. Under the Subordinate General Resolution, the City has previously issued multiple series of Subordinate Bonds (the “Existing Subordinate Bonds”) that have a lien on Revenues (herein defined) subordinate to that of the Existing Senior Lien Bonds. As of January 1, 2022, the City had \$1,558,245,000 aggregate principal amount of Existing Subordinate Bonds Outstanding, excluding Wastewater System Commercial Paper Notes (defined herein) Outstanding. As described below under “PLAN OF FINANCE,” the City expects to issue its Wastewater System Subordinate Revenue Bonds, Series 2022-A (Green Bonds) (the “Series 2022-A Subordinate Bonds”) and City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-B (Federally Taxable) (the “Series 2022-B Subordinate Bonds” and, together with the Series 2022-A Subordinate Bonds, the “Series 2022-AB Subordinate Bonds”), to pay all or a portion of the Outstanding Wastewater System Commercial Paper Notes at their respective maturity dates. The Series 2022-AB Subordinate Bonds will be on parity with the Series 2022-C Subordinate Bonds.

Additional Senior Lien Bonds and Subordinate Bonds may be issued pursuant to the provisions of the Senior General Resolution and the Subordinate General Resolution, respectively, subject to satisfaction of the conditions precedent set forth therein. See “PLAN OF FINANCE” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022-C SUBORDINATE BONDS – Additional Senior Lien Bonds” and “– Additional Subordinate Bonds” herein.

The System

The City owns and operates a wastewater system (“System”), which serves an approximately 600 square mile area with a population in excess of 4.5 million or approximately 45% of the population of Los Angeles County. The System has two distinct service areas: the Hyperion Service Area and Terminal Island Service Area (each as described herein). Total average daily flow during Fiscal Year 2020-21 was approximately 315 million gallons per day. In addition to serving most of the City, the System also provides wastewater conveyance, treatment and disposal services to 29 sanitation districts, cities, governmental entities and private businesses which adjoin the City. The System consists of more than 6,700 miles of sewers and interceptors, four water reclamation plants and various other facilities.

The SCM Fund; Senior Lien Bonds

The Existing Senior Lien Bonds, and any other bonds issued in the future under the Senior General Resolution (collectively, the “Senior Lien Bonds”) are secured by a pledge of and first lien on (i) Revenues; and (ii) all moneys and securities held in the Reserve Fund, the Debt Service Fund (except for amounts segregated for the payment of specific Senior Lien Bonds that have become due and payable or that have been called for redemption, which amounts are held in trust for such specific Senior Lien Bonds only), and the Construction Funds. “Revenues” generally consist of all revenues of the City’s Sewer Construction and Maintenance Fund (the “SCM Fund”) and revenues otherwise attributable to the System, and all earnings received from investments in the SCM Fund, the Debt Service Fund, the Reserve Fund and the Emergency Fund, provided that Revenues shall not include any amount received from the levy or collection of taxes, amounts designated for capital costs received under contracts with contract agencies, moneys received as grants, earnings on the Construction Funds or the proceeds of borrowings or insurance.

Pursuant to the Senior General Resolution, Revenues in the SCM Fund are to be used on an ongoing basis to pay or provide for the ordinary and reasonable expenses of the operation and maintenance of the System including, without limitation, refunds and the reasonable expenses of management, repair and other expenses necessary to maintain and preserve the System in good repair and working order when such amounts become due in the ordinary course of business. On or before the twenty-fifth day of each month, the City is to transfer amounts from the SCM Fund to the Debt Service

Fund, Reserve Fund, and Emergency Fund (all held under the Senior General Resolution for the Senior Lien Bonds), amounts sufficient to make the deposits therein required under the Senior General Resolution.

Security and Sources of Payment for the Series 2022-C Subordinate Bonds

The Series 2022-C Subordinate Bonds, the Existing Subordinate Bonds and any bonds issued in the future under the Subordinate General Resolution (collectively, the “Subordinate Bonds”) are secured by a pledge of and second lien on the Revenues, on a basis subordinate to the pledge of and lien on Revenues to the Senior Lien Bonds. The pledge, assignment and lien on the Revenues granted to secure the Senior Lien Bonds is, in all respects, prior to the pledge, assignment and lien granted by the Subordinate General Resolution for the benefit of the Subordinate Bonds. The Revenues, including Revenues held in the SCM Fund and the earnings on such Revenues, will be used first to pay the Senior Lien Bonds as the same become due, and to make current deposits into the funds held pursuant to the Senior General Resolution before such Revenues will be available for deposit into the funds and accounts held under the Subordinate General Resolution for the benefit of the Subordinate Bonds. The Series 2022-C Subordinate Bonds are also secured by a pledge and lien on the 2022-C Subordinate Debt Service Fund created pursuant to the Twenty-Seventh Supplemental Resolution. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022-C SUBORDINATE BONDS” herein.

Limited Obligations

The Series 2022-C Subordinate Bonds are special, limited obligations of the City payable solely from the Revenues, on a basis subordinate to the Senior Lien Bonds, and from amounts on deposit in the 2022-C Subordinate Debt Service Fund created pursuant to the Subordinate General Resolution. The City is not obligated to make payment from any other source. The Series 2022-C Subordinate Bonds are not payable from the General Fund of the City and are not a general obligation of the City, and neither the full faith and credit nor the taxing power of the City are pledged to the payment of any amounts due on the Series 2022-C Subordinate Bonds.

Forward-Looking Statements

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,” “projected” 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 the City believes that such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The City is not 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, do not occur, or change.

Miscellaneous

Copies of the resolutions and additional information may be obtained upon request from the Office of the City Administrative Officer by email to cao.debt@lacity.org. Certain capitalized terms used herein have the meanings ascribed to such terms in Appendix B – “GLOSSARY OF DEFINED TERMS” attached hereto. See also APPENDIX D – “GLOSSARY OF SYSTEM TERMS” attached hereto.

FUTURE AMENDMENT OF SUBORDINATE GENERAL RESOLUTION AND SENIOR GENERAL RESOLUTION

Amendment and Restatement of Subordinate General Resolution

The City is planning to amend and restate the Subordinate General Resolution to include several material amendments. Set forth in APPENDIX I – “PROPOSED CHANGES TO SUBORDINATE GENERAL RESOLUTION” (the “Amended and Restated Subordinate General Resolution”) is a marked copy of the Amended and Restated Subordinate General Resolution which shows the amendments and modifications that the City intends to make to the Subordinate General Resolution.

The Amended and Restated Subordinate General Resolution will effectuate several significant amendments to the Subordinate General Resolution, including:

- Amend Section 3.09 of the Subordinate General Resolution to provide that Average Annual Debt Service will be used to calculate the test for the issuance of additional Subordinate Bonds (as compared to Maximum Annual Debt Service, which is currently set forth in the Subordinate General Resolution); and
- Amend Section 6.03 of the Subordinate General Resolution to permit the City to use any monies in the SCM Fund to satisfy the Rate Covenant and to make other modifications.

There are other amendments to the Subordinate General Resolution contained within the Amended and Restated Subordinate General Resolution, which investors may consider to be significant. As such, investors are encouraged to read the entire Amended and Restated Subordinate General Resolution.

Under the Subordinate General Resolution, the Amended and Restated Subordinate General Resolution will not become effective until Bondholders owning 51% or more of the then-outstanding Subordinate Bonds have consented to such proposed amendments and the other requirements of the Subordinate General Resolution have been satisfied. The City is planning to effectuate these consents through a “springing consent” process, which means that the City will require the holders of each new Series of Subordinate Bonds that it issues, including the Series 2022-C Subordinate Bonds and the Series 2022-AB Subordinate Bonds, to be deemed to have consented to the Amended and Restated Subordinate General Resolution until the requisite consents have been obtained. After giving effect to the issuance of the Series 2022-C Subordinate Bonds and the Series 2022-AB Subordinate Bonds as contemplated in “PLAN OF FINANCE” herein, the City expects that it would have the consent to the Amended and Restated Subordinate General Resolution of approximately []% of the then-outstanding Subordinate Bonds.

By the purchase and acceptance of the Series 2022-C Subordinate Bonds, the Bondholders and Beneficial Owners of the Series 2022-C Subordinate Bonds will be deemed to have consented to the proposed amendments to the Subordinate General Resolution by their purchase of the Series 2022-C Subordinate Bonds. After delivery of the Series 2022-C Subordinate Bonds, the City will not be requesting separate written consent from the purchasers of the Series 2022-C Subordinate Bonds for the Amended and Restated Subordinate General Resolution before adoption of the Amended and Restated Subordinate General Resolution.

The City has authorized a maximum of \$400,000,000 aggregate principal amount of Subordinate Bonds in the form of Wastewater System Commercial Paper Notes. Under the Subordinate General Resolution, the City may secure a portion of the consents from Bondholders of the Subordinate Bonds

from the Bondholders of Wastewater System Commercial Paper Notes, which the City could also secure by requiring future Bondholders of Wastewater System Commercial Paper Notes to be deemed to consent to the Amended and Restated Subordinate General Resolution.

Amendment of Senior General Resolution

The City plans to amend and restate the Senior General Resolution to make amendments to the Senior General Resolution. Many of these amendments will be conforming amendments to mirror provisions shared by both the Senior General Resolution and the Subordinate General Resolution, including substantially the same changes to Sections 3.09 and 6.03 as described above. The City also plans to make additional amendments to provisions in the Senior General Resolution that are not mirrored in the Subordinate General Resolution, including (among others) the elimination of the Reserve Fund and the Emergency Fund with respect to both existing and future Senior Lien Bonds. The City also plans to secure consents from the holders of the Senior Lien Bonds on a “springing consent” basis by requiring holders of Senior Lien Bonds it issues in the future to be deemed to consent to those amendments. These amendments to the Senior General Resolution do not require the consent of Bondholders of the Subordinate Bonds (including the Series 2022-C Subordinate Bonds or the Series 2022-AB Subordinate Bonds). See APPENDIX J – “PROPOSED CHANGES TO SENIOR GENERAL RESOLUTION.”

PLAN OF FINANCE

Plan of Finance

The proceeds of the Series 2022-C Subordinate Bonds, together with certain other amounts from the City, will be used to: (i) current refund all or a portion of the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Series 2010-A (the “Series 2010 Refunded Bonds”), the outstanding City of Los Angeles Wastewater System Refunding Revenue Bonds Series 2012-A (the “Series 2012-A Refunded Bonds”), the outstanding City of Los Angeles Wastewater System Subordinate Refunding Revenue Bonds Series 2012-B and Series 2012-C (the “Series 2012-B and 2012-C Refunded Bonds” and, together with the Series 2012-A Refunded Bonds, the “Series 2012 Refunded Bonds”), and the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding, Series 2018-C-1 and Series 2018-C-2 (the “Series 2018 Refunded Bonds” and, collectively with the Series 2010 Refunded Bonds and the Series 2012 Refunded Bonds, the “Refunded Bonds”), and (ii) pay certain costs of issuing the Series 2022-C Subordinate Bonds. The following table sets forth the Refunded Bonds to be refunded with a portion of the proceeds of the Series 2022-C Subordinate Bonds.

Refunded Bonds*

| Series | Maturity (June 1) | Principal to Be Refunded | Redemption Date | Redemption Price ⁽¹⁾ | CUSIP ⁽²⁾ |
|-----------------------------------|----------------------|-----------------------------|--------------------|------------------------------------|----------------------|
| Series 2010-A Subordinate Bonds | | | | | |
| | 2022 | \$4,800,000 | April 1, 2022 | 100% | 5446525T3 |
| | 2023 | 2,440,000 | April 1, 2022 | 100% | 5446525U0 |
| | 2024 | 2,260,000 | April 1, 2022 | 100% | 5446525V8 |
| | 2025 | 5,875,000 | April 1, 2022 | 100% | 5446525W6 |
| | 2026 | 6,165,000 | April 1, 2022 | 100% | 5446525X4 |
| | 2027 | 2,285,000 | April 1, 2022 | 100% | 5446525Y2 |
| | 2028 | 2,400,000 | April 1, 2022 | 100% | 5446525Z9 |
| | 2029 | 2,525,000 | April 1, 2022 | 100% | 5446526A3 |
| | 2032 | 8,325,000 | April 1, 2022 | 100% | 5446526D7 |
| Series 2012-A Senior Bonds | | | | | |
| | 2024 | \$49,650,000 | June 1, 2022 | 100% | 544653AA6 |
| Series 2012-B Subordinate Bonds | | | | | |
| | 2024 | \$8,425,000 | June 1, 2022 | 100% | 5446527N4 |
| | 2028 | 2,140,000 | June 1, 2022 | 100% | 5446527Q7 |
| | 2029 | 580,000 | June 1, 2022 | 100% | 5446527R5 |
| | 2030 | 26,360,000 | June 1, 2022 | 100% | 5446527S3 |
| | 2031 | 27,675,000 | June 1, 2022 | 100% | 5446527T1 |
| | 2032 | 29,050,000 | June 1, 2022 | 100% | 5446527U8 |
| | 2024 | 13,245,000 | June 1, 2022 | 100% | 5446527X2 |
| | 2028 | 21,810,000 | June 1, 2022 | 100% | 5446527Z7 |
| | 2029 | 24,530,000 | June 1, 2022 | 100% | 5446528A1 |
| Series 2012-C Subordinate Bonds | | | | | |
| | 2023 | \$11,835,000 | June 1, 2022 | 100% | 544653AN8 |
| | 2023 | 2,500,000 | June 1, 2022 | 100% | 544653AM0 |
| | 2025 | 34,405,000 | June 1, 2022 | 100% | 544653AP3 |
| | 2026 | 20,045,000 | June 1, 2022 | 100% | 544653AR9 |
| | 2026 | 400,000 | June 1, 2022 | 100% | 544653AQ1 |
| | 2027 | 4,900,000 | June 1, 2022 | 100% | 544653AS7 |
| Series 2018 C-1 Subordinate Bonds | | | | | |
| | 2032 | \$64,960,000 | April 1, 2022 | 100% | 53495CKG4 |
| Series 2018 C-2 Subordinate Bonds | | | | | |
| | 2032 | \$64,965,000 | April 1, 2022 | 100% | 53495CJA9 |

⁽¹⁾ Expressed as a percentage of the principal amount.

⁽²⁾ Neither the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable bonds or as included herein.

Upon issuance of the Series 2022-C Subordinate Bonds, proceeds thereof in the amount of \$_____ will be applied to the redemption of the Series 2010 Refunded Bonds and the Series 2018 Refunded Bonds on the Closing Date in accordance with the provisions of the Subordinate General Resolution or Senior General Resolution, as applicable, and the supplemental resolution applicable to such series of Refunded Bonds.

In order to effect the refunding of the Series 2012 Refunded Bonds, the Underwriters will wire transfer to U.S. Bank National Association (the “Escrow Agent for the Refunded Bonds”) monies which, together with other available amounts to be held by the Escrow Agent for the Series 2012 Refunded Bonds in one or more escrow funds (collectively, the “Escrow Fund”), will be sufficient to pay the principal of and interest on the Series 2012 Refunded Bonds to the redemption date thereof and to redeem the Series 2012 Refunded Bonds on the applicable redemption date at a redemption price equal to 100% of the principal amount of the Series 2012 Refunded Bonds to be redeemed plus accrued interest thereon

* Preliminary; subject to change.

to the date of redemption, without premium, plus all fees and other amounts required to be paid in connection with any redemption.

Upon issuance of the Series 2022-C Subordinate Bonds, Causey, Demgen & Moore, Inc., as verification agent, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriters relating to the adequacy of amounts in each Escrow Fund to pay when due all debt service on the Series 2012 applicable series of the Refunded Bonds on and prior to the redemption thereof and to pay the redemption price of the applicable redemption date as set forth in the table above.

Substantially simultaneously with the issuance of the Series 2022-C Subordinate Bonds, the City intends to issue its Series 2022-AB Subordinate Bonds, the proceeds of which will be used to: (i) pay all or a portion of the Outstanding Wastewater System Commercial Paper Notes at their respective maturity dates; and (ii) pay certain costs of issuing the Series 2022-AB Subordinate Bonds. Under the Subordinate General Resolution, the City has also authorized a maximum of \$400 million aggregate principal amount of Subordinate Bonds in the form of Wastewater System Commercial Paper Notes (the “Wastewater System Commercial Paper Notes”). The Wastewater System Commercial Paper Notes are currently supported by letters of credit (the “Letters of Credit”) issued by Barclays Bank PLC (“Barclays”) and The Toronto-Dominion Bank, acting through its New York Branch (“Toronto-Dominion”). The maximum amount of Wastewater System Commercial Paper Notes that may be Outstanding at any particular time under the existing Letters of Credit for the Wastewater System Commercial Paper Notes is \$400 million. As of [January 31, 2022], there was approximately \$[200] million in aggregate principal amount of Wastewater System Commercial Paper Notes Outstanding, all or a portion of which will be paid at their respective maturity dates from proceeds of the Series 2022-AB Subordinate Bonds. See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Outstanding Indebtedness” and “– Anticipated Financings” herein.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2022-C Subordinate Bonds, together with certain other amounts, are expected to be applied as set forth below:

| | Total |
|-----------------------------------|--------------|
| Estimated Sources of Funds | |
| Principal Amount | |
| [Net Premium/Discount] | |
| Release from Debt Service | |
| Reserve Fund and Debt | |
| Service Funds ⁽¹⁾ | |
| Total | |
| Estimated Uses of Funds | |
| Deposit for Refunded Bonds | |
| Costs of Issuance ⁽²⁾ | |
| Total | |

⁽¹⁾ To pay accrued interest through the date of issuance of the Series 2022-C Subordinate Bonds on the Refunded Bonds.

⁽²⁾ Includes underwriters' discount, municipal advisors' fees and expenses, rating agency fees, issuing and paying agent fees and expenses, bond counsel fees and expenses, disclosure counsel fees and expenses, printing costs and other miscellaneous expenses.

DESCRIPTION OF THE SERIES 2022-C SUBORDINATE BONDS

The Series 2022-C Subordinate Bonds will be dated and will bear interest from their date of delivery. Interest on the Series 2022-C Subordinate Bonds will be payable semi-annually on June 1 and December 1, commencing on June 1, 2022. Interest will be calculated on the basis of a year of 360 days and twelve 30-day months. The Series 2022-C Subordinate Bonds will be issuable as fully-registered bonds, will mature in the principal amounts in each year (subject to prior redemption – See “REDEMPTION OF THE SERIES 2022-C SUBORDINATE BONDS” herein), and will bear interest at the respective rates per annum as set forth on the inside cover of this Official Statement.

The Series 2022-C Subordinate Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2022-C Subordinate Bonds. Ownership interests in the Series 2022-C Subordinate Bonds may be purchased in book-entry form only. So long as DTC or its nominee is the Owner of the Series 2022-C Subordinate Bonds, payments of the principal of, redemption premium, if any, and interest on the Series 2022-C Subordinate Bonds will be made as described in APPENDIX G – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

REDEMPTION OF THE SERIES 2022-C SUBORDINATE BONDS*

Optional Redemption

The Series 2022-C Subordinate Bonds are not subject to redemption before their stated maturities.

* Preliminary; subject to change.

Mandatory Sinking Fund Redemption

The Series 2022-C Subordinate Bonds with a stated maturity date of June 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, commencing on June 1, 20__, and on each June 1 thereafter until maturity, in accordance with the terms of the following mandatory sinking fund redemption schedule (subject to adjustment in the event of an optional redemption of the Series 2022-C Subordinate Bonds, as provided in the Twenty-Seventh Supplemental Resolution):

Series 2022-C Term Bonds Maturing June 1, 20__

| Redemption Date (June 1) | Principal Amount |
|-------------------------------------|-------------------------|
|-------------------------------------|-------------------------|

(maturity)

Notice of Redemption of Series 2022-C Subordinate Bonds

At least 20 days and no more than 60 days before each date of redemption, the City will give notice by Mail or by telecopy or other electronic means of communication to each registered owner of a Series 2022-C Subordinate Bond to be redeemed at the owner's registered address. So long as DTC is the registered owner of Series 2022-C Subordinate Bonds to be redeemed, notice of redemption shall be sent to DTC. Failure to give any required notice of redemption will not affect the validity of the call for redemption of any Series 2022-C Subordinate Bond in respect of which no failure occurs.

The notice of redemption will (i) specify the Series 2022-C Subordinate Bonds to be redeemed, the redemption date, the redemption prices and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2022-C Subordinate Bonds of a Series are to be redeemed, the numbers of the Series 2022-C Subordinate Bonds, and the portions of Series 2022-C Subordinate Bonds, to be redeemed; (ii) state any condition to such redemption; and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Series 2022-C Subordinate Bonds to be redeemed shall cease to bear interest. Such notice of redemption will further contain the following information: (i) the CUSIP numbers of all Series 2022-C Subordinate Bonds or portions thereof being redeemed; (ii) the date of original issuance of the Series 2022-C Subordinate Bonds; (iii) the rate of interest borne by the Series 2022-C Subordinate Bonds being redeemed; (iv) the maturity date of the Series 2022-C Subordinate Bonds being redeemed; (v) the redemption price or, if applicable, a description of the mechanism or method for determining the redemption price; and (vi) any other descriptive information to identify accurately the Series 2022-C Subordinate Bonds or portions thereof being redeemed.

Any notice of redemption may be conditional, other than notice of redemption from mandatory sinking fund payments, and may be rescinded by written notice given by the City. Upon such rescission, the City shall give notice of such rescission in the same manner, and to the same persons, as notice of such redemption was given. Any optional redemption of the Series 2022-C Subordinate Bonds and notice thereof will be rescinded and cancelled if for any reason on the date fixed for redemption moneys are not available and held in trust for such purpose in an amount sufficient to pay in full on such date the

principal of, interest, and any premium due on such Series 2022-C Subordinate Bonds called for redemption.

Effect of Redemption of Series 2022-C Subordinate Bonds

On the date designated for redemption, notice having been given in the manner and under the conditions provided in the Subordinate General Resolution and moneys for payment of the redemption price being held in trust to pay the redemption price, the Series 2022-C Subordinate Bonds called for redemption shall become due and payable, interest on such Series 2022-C Subordinate Bonds shall cease to accrue, such Series 2022-C Subordinate Bonds shall cease to be entitled to any lien, benefit or security under the Subordinate General Resolution and the owners of such Series 2022-C Subordinate Bonds shall have no rights in respect thereof except to receive payment of the redemption price.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022-C SUBORDINATE BONDS

Sources of Payment

All Revenues received by the City from the ownership and operation of the System (less billing and collection fees paid to LADWP are deposited, after collection, into the SCM Fund held by the City Treasurer. The SCM Fund has been operated as a special fund of the City since it was created by an ordinance adopted by the City Council in 1970. For the City's internal purposes, the City has also created a Sewer Operation and Maintenance Fund and a Sewer Capital Fund into which amounts from the Sewer Construction and Maintenance Fund are transferred, and the City may create other funds into which Revenues are deposited or held. All of such funds are collectively referred to as the "SCM Fund," and amounts in all of such funds will be held and used as the SCM Fund. All expenditures related to the construction, operation, maintenance and repair of the System are accounted for in the SCM Fund. Audited financial statements of the SCM Fund for the Fiscal Years ended June 30, 2021 and 2020 are attached as Appendix E hereto. The City is required to prepare annually audited financial statements of the SCM Fund.

"Revenues" means all revenues of the SCM Fund and revenues otherwise attributable to the System, including, but not limited to, those revenues currently arising as a result of the imposition of sewer service charges, industrial waste surcharge and inspection fees, sewage disposal contract charges, sewerage facility charges and bonded sewer fees and all other income and receipts derived by the City from the ownership or operation of the System or arising from the System and including amounts attributable to extensions, additions and improvements to the System and all other amounts received by the City in payment for providing wastewater collection, treatment and/or disposal services; and all earnings received from the investment of the SCM Fund, the Debt Service Fund (as defined in the Senior General Resolution), the Reserve Fund (as defined in the Senior General Resolution) and the Emergency Fund (as defined in the Senior General Resolution); and all earnings received on the Debt Service Funds and, if any, Reserve Funds created under the Subordinate General Resolution, provided, however, that Revenues do not include:

- (i) any amount received from the levy or collection of taxes (if any time such taxes are levied and collected);
- (ii) amounts received under contracts or agreements with governmental or private entities and designated for capital costs;

- (iii) grants received from the United States of America or from the State of California or other political bodies;
- (iv) earnings on the Construction Funds (as defined in the Senior General Resolution and the Subordinate General Resolution);
- (v) the proceeds of borrowings; and
- (vi) proceeds of insurance.

Subordinate Pledge of Revenues

To secure the payment of all Subordinate Bonds issued pursuant to the terms of the Subordinate General Resolution, the City has pledged, placed a second lien upon and assigned to the Owners of the Subordinate Bonds (1) the Revenues and (2) the Revenues held in the SCM Fund including the earnings on such Revenues. The City has previously pledged and assigned the Revenues and granted a lien upon the Revenues to secure all Senior Lien Bonds, whenever issued, including Senior Lien Bonds issued subsequent to the issuance of Subordinate Bonds (including the Series 2022-C Subordinate Bonds). The pledge, assignment and lien on the Revenues granted to secure the Senior Lien Bonds is, in all respects, prior to the pledge, assignment and lien granted by the Subordinate General Resolution. The Revenues, including Revenues held in the SCM Fund and the earnings on such Revenues, will be used first to pay the Senior Lien Bonds as the same become due and make current deposits into the funds held pursuant to the Senior General Resolution before such Revenues will be available to pay Subordinate Bonds. This pledge of and lien upon the Revenues will be for the equal and proportionate benefit and security of all Subordinate Bonds issued under the terms of the Subordinate General Resolution, all of which, regardless of the time or times of their authentication and delivery or maturity, will be of equal rank without preference, priority or distinction as to lien or otherwise. The pledge and lien granted by the Subordinate General Resolution will remain effective for so long as any Subordinate Bonds are Outstanding thereunder. Amounts in the Debt Service Fund and Construction Fund established for any Series of the Subordinate Bonds are pledged to secure such Subordinate Bonds in accordance with the terms of the applicable Supplemental Resolution.

In the Subordinate General Resolution, the City represents and states that except for the pledge granted to secure the Senior Lien Bonds, the City has not previously pledged the Revenues or the SCM Fund nor created any lien thereon, and the City covenants that, until all the Subordinate Bonds issued under the provisions of the Subordinate General Resolution and the interest thereon will have been paid or are deemed to have been paid, it will not, except to the extent additional Senior Lien Bonds are issued under the terms of the Senior General Resolution, grant any prior or parity pledge of Revenues or the SCM Fund, or create or permit to be created any charge or lien on the Revenues ranking prior to or on a parity with the charge and lien which secures the Subordinate Bonds issued pursuant to the Subordinate General Resolution. The City will not, by the provisions of the Subordinate General Resolution, be restricted or limited in its ability to issue additional Senior Lien Bonds, all of which will rank prior to the Subordinate Bonds with respect to the pledge of, lien on and assignment of the Revenues. The City may create or permit to be created a charge or lien on the Revenues ranking junior and subordinate to the charge and lien which secures the Subordinate Bonds issued pursuant to the Subordinate General Resolution.

No Reserve for Subordinate Bonds

No reserve is established for the Subordinate Bonds, including the Series 2022-C Subordinate Bonds. Under the terms of the Senior General Resolution, a Reserve Fund is required to be created and

funded in an amount equal to Maximum Annual Debt Service on all Senior Lien Bonds issued and Outstanding under the Senior General Resolution. Moneys held in the Reserve Fund may not be used to pay the principal of, premium, if any, and interest on the Series 2022-C Subordinate Bonds.

No Pledge of Refundable Credits

The City previously issued \$177,420,000 aggregate principal amount of Wastewater System Revenue Bonds, Series 2010-A (the “Series 2010-A Senior Lien Bonds”) and designated such bonds as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009. The City previously issued \$89,600,000 aggregate principal amount of Wastewater System Revenue Bonds Series 2010-B (the “Series 2010-B Senior Lien Bonds”) and designated such bonds as “Recovery Zone Economic Development Bonds” (together with the Build America Bonds, the “Direct Subsidy Bonds”) under the provisions of the American Recovery and Reinvestment Act of 2009. Prior to March 1, 2013, the City received periodic payments (“Refundable Credits”) from the United States Treasury equal to 35% of the interest payable on the Series 2010-A Senior Lien Bonds and periodic Refundable Credits from the United States Treasury equal to 45% of the interest payable on the Series 2010-B Senior Lien Bonds. As a result of the Sequester (herein defined) described under “RISK FACTORS – Effect of Federal Sequestration on Refundable Credits,” the City expects to receive an estimated \$335,810 reduction in Refundable Credits in connection with the Series 2010-A Senior Lien Bonds and the Series 2010-B Senior Lien Bonds for the current federal fiscal year ending September 30, 2022. Until further action is taken by the United States Congress, Sequestration will continue and there could be additional reductions for future years.

The Refundable Credits constitute amounts payable by the Federal government under Section 6431 of the Code, and which, in the case of the Series 2010-A Senior Lien Bonds, the City has elected to receive under Section 54AA(g)(1) of the Code. All of the Refundable Credits received by the City are to be deposited upon receipt into the debt service account established with respect to the Series 2010-A Senior Lien Bonds and the Series 2010-B Senior Lien Bonds to which they relate, and are pledged to the payment of the Series 2010-A Senior Lien Bonds and the Series 2010-B Senior Lien Bonds only. The Refundable Credits are not pledged to the payment of the Series 2022-C Subordinate Bonds. On April 19, 2017, the City amended each of the Resolutions to provide for an offset to the debt service on the Direct Subsidy Bonds, and a corresponding offset to Revenues in the amount of the Refundable Credits. See “– Amendment to the Resolutions Relating to the Refundable Credits” and “RISK FACTORS – Effect of Federal Sequestration on Refundable Credits” herein.

Subordinate Bonds Rate Covenant

The City covenants in the Subordinate General Resolution that it will at all times while any Subordinate Bonds remain Outstanding, establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System so that Revenues for each Fiscal Year will be at least sufficient to pay the following amounts: (1) the interest on and principal of the Outstanding Senior Lien Bonds and Subordinate Bonds as they become due and payable; (2) all other payments required for compliance with the terms of the Senior General Resolution and the Subordinate General Resolution and of any Supplemental Resolutions issued thereunder; (3) all other payments to meet any other obligations of the City which are charges, liens, or encumbrances upon, or payable from, the Revenues; and (4) all current operation and maintenance costs of the System (but not including such operation and maintenance costs as are scheduled to be paid by the City from moneys other than Revenues, such moneys to be clearly available for such purpose). The City further agrees that it will establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System so that during each Fiscal Year the Net Revenues are equal to at least 110% of the actual debt service becoming due on Outstanding Senior Lien Bonds and Subordinate Bonds in such year provided that for such purposes, the principal amount of

Senior Lien Bonds and Subordinate Bonds becoming due in such year which is paid from the proceeds of other borrowings shall not be included as debt service becoming due in such year.

For the purpose of calculating actual debt service coming due on Outstanding Senior Lien Bonds and Subordinate Bonds, in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Senior Lien Bonds or Subordinate Bonds that were issued as Direct Subsidy Bonds, such amount shall be reduced by an amount equal to the Refundable Credits the City is scheduled to receive during each such twelve-month period ending June 30 (and to avoid double counting, an equivalent amount shall be deducted from Revenues for the purpose of such calculation).

The City is proposing to make substantial amendments to the Subordinate General Resolution including significant amendments to the Subordinate Bonds Rate Covenant. Any Bondholders and Beneficial Owners of the Series 2022-C Subordinate Bonds will be deemed to have consented to these amendments. See “FUTURE AMENDMENT OF SUBORDINATE GENERAL RESOLUTION AND SENIOR GENERAL RESOLUTION.”

Additional Subordinate Bonds

As a condition to the issuance of any additional Subordinate Bonds, the City will first be required to obtain a certificate or certificates prepared by a Consultant or by Consultants showing that the Net Revenues for the immediately preceding Fiscal Year or for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of the proposed Subordinate Bonds were at least equal to 110% of the Maximum Annual Debt Service for all Senior Lien Bonds and Subordinate Bonds which will be Outstanding immediately after issuance of the proposed Subordinate Bonds. For purposes of preparing the certificate or certificates described above, the Consultant or Consultants may rely upon financial statements prepared by the City that have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available.

For purposes of the computations to be made as described in the preceding paragraph, the determination of Net Revenues may take into account any increases in rates and charges which relate to the System and will take into account any reductions in such rates and charges, which increases or decreases have been authorized by the City to be implemented and which will be effective prior to or at the time of issuance of such proposed Subordinate Bonds.

Except as described in the last sentence of this paragraph, the certificate or certificates described above will not be required if the Subordinate Bonds being issued are for purposes of refunding the Outstanding Senior Lien Bonds or Subordinate Bonds, and if at the time of the issuance of such Subordinate Bonds, a certificate of an Authorized City Representative will be delivered showing that Maximum Annual Debt Service on all Senior Lien Bonds and Subordinate Bonds Outstanding after the issuance of the refunding Subordinate Bonds will not exceed Maximum Annual Debt Service on all Senior Lien Bonds and Subordinate Bonds Outstanding prior to the issuance of such Subordinate Bonds. The exception provided by this paragraph will not apply with respect to Subordinate Bonds not constituting part of a Commercial Paper Program issued to refund Subordinate Bonds constituting part of a Commercial Paper Program unless the authorized principal amount of the Commercial Paper Program is reduced by an amount equal to the Subordinate Bonds refunded.

If any of the Outstanding Series of Subordinate Bonds or Senior Lien Bonds constitutes Variable Rate Indebtedness, or if Subordinate Bonds proposed to be issued would constitute Variable Rate Indebtedness for purposes of the Subordinate General Resolution only (except as otherwise provided in the Subordinate General Resolution), such Subordinate Bonds or Senior Lien Bonds will be assumed to bear interest at the rate quoted in *The Bond Buyer Revenue Bond Index* for the last week of the month preceding the date of calculation of Maximum Annual Debt Service, as published in *The Bond Buyer*, or

if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the then Outstanding Subordinate Bonds or Senior Lien Bonds for which the interest rate is to be assumed or having an equivalent maturity as the additional Subordinate Bonds proposed to be issued, or if there are no such Treasury bonds having equivalent maturities, 100% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States ranked by assets.

The City is proposing to make substantial amendments to the Subordinate General Resolution including significant amendments to the provisions relating to the issuance of additional Subordinate Bonds. Any Bondholders and Beneficial Owners of the Series 2022-C Subordinate Bonds will be deemed to have consented to these amendments. See “FUTURE AMENDMENT OF SUBORDINATE GENERAL RESOLUTION AND SENIOR GENERAL RESOLUTION.”

Additional Senior Lien Bonds

In addition to the Existing Senior Lien Bonds, the City may authorize one or more other series of Additional Senior Lien Bonds which are secured by the pledge of Revenues made under the Senior General Resolution equally and ratably with Senior Lien Bonds previously issued. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS” attached hereto.

Flow of Funds Under the Senior General Resolution and the Subordinate General Resolution

The SCM Fund. The City has agreed under the Senior General Resolution that so long as any Bonds remain Outstanding it will continue to maintain the SCM Fund or another special fund or special funds into which all Revenues will be deposited and any and all such funds into which Revenues are deposited by the City shall be maintained and the amounts therein held and used as provided in the Senior General Resolution.

Pursuant to the Senior General Resolution, the City has agreed that it will deposit all Revenues (except the earnings on the Debt Service Fund (as defined in the Senior General Resolution) created and held under the Senior General Resolution and the Reserve Fund (as defined in the Senior General Resolution) created and held under the Senior General Resolution for which the special provision is made in the Senior General Resolution and except for the earnings on funds created and held under Supplemental Resolutions for which special provision may be made) as collected, into the SCM Fund. All Revenues in the SCM Fund shall be held by the City in trust and applied as provided in the Senior General Resolution, and pending such application, such amounts shall be subject to a lien and charge in favor of the Holders of the Bonds issued and Outstanding under the Senior General Resolution.

Payment of Operation and Maintenance Expenses. Prior to making deposits into the Debt Service Fund, Reserve Fund or Emergency Fund, Revenues on deposit to the credit of the SCM Fund will be used to pay or provide for the ordinary and reasonable expenses of the operation and maintenance of the System when such amounts become due in the ordinary course of business, including, without limitation, refunds, the reasonable expenses of management, and repair and other expenses necessary to maintain and preserve the System in good repair and working order.

Deposits to the Debt Service Fund, Reserve Fund and Emergency Fund Under the Senior General Resolution. On or before the twenty-fifth day of each month, the City must withdraw from the SCM Fund an amount sufficient to make the deposits described in (a), (b) and (c) below and to deposit such amount to the credit of the following funds and in the priority listed. If in any month available moneys are insufficient to make all of such deposits, moneys will be deposited first to the Debt Service

Fund and, thereafter, to the Reserve Fund and, thereafter, to the Emergency Fund. Deposits from the SCM Fund are required to be made as follows:

(a) to the credit of the Debt Service Fund, an amount equal to the Aggregate Accrued Interest and Aggregate Accrued Principal for the current calendar month, less any Excess in the fund on the first day of the month, plus any Deficiency existing on the first day of such calendar month, plus any amount of interest or principal on Senior Lien Bonds which has become due and has not been paid and for which there are insufficient funds in the Debt Service Fund or another special fund or account to be used to make such payment;

(b) to the credit of the Reserve Fund, the following amounts, if any: (i) if, as of the most recent valuation of the Reserve Fund, the value thereof was less than the Reserve Fund Requirement and the amount of such deficiency has not previously been restored, then commencing with the first month of the first Fiscal Year following such valuation and continuing until such deficiency has been eliminated (which may be by subsequent valuation), one-twelfth of the difference between the Reserve Fund Requirement and the value of the Reserve Fund on such valuation date, plus (ii) if any amount has been withdrawn from the Reserve Fund during the preceding 12 months to prevent a default on the Bonds or to make a deposit into the Rebate Fund and the Reserve Fund has not subsequently been restored to the Reserve Fund Requirement, an amount equal to one-twelfth of the amount so withdrawn, plus (iii) if any Bonds have been issued during the preceding 12 months and, at the time of such issuance, the City did not deposit into the Reserve Fund the full amount necessary to increase the amount in the Reserve Fund to the Reserve Fund Requirement and the amount of such deficiency has not previously been deposited into the Reserve Fund, an amount equal to one-twelfth of the difference between the Reserve Fund Requirement due upon the issuance of such series of Bonds and the amount deposited into the Reserve Fund at the time of issuance; and

(c) to the credit of the Emergency Fund, the following amounts, if any: (i) if, as of the most recent valuation of the Emergency Fund, the value thereof was less than the Emergency Fund Requirement and the amount of such deficiency has not previously been restored then commencing with the first month of the first Fiscal Year following such valuation and continuing until such deficiency has been eliminated (which may be by subsequent valuation), one-twelfth of the difference between the Emergency Fund Requirement and the value of the Emergency Fund on such valuation date, plus (ii) if any amount has been withdrawn from the Emergency Fund during the preceding 12 months to pay expenses arising from an emergency or a liability claim and the Emergency Fund has not subsequently been restored to the Emergency Fund Requirement, one-twelfth of the amount so withdrawn.

Deposit of Revenues to Funds and Accounts Under the Subordinate General Resolution. So long as the requirements set forth below are met, the City may, at any time, as provided by Supplemental Resolution, withdraw amounts from the SCM Fund to make deposits to the debt service funds and reserve funds created under Supplemental Resolutions or otherwise to make payments or provide for payments on Subordinate Bonds. The foregoing provisions are, however, restricted to the extent that no amount will be withdrawn from the SCM Fund to make deposits to funds created under Supplemental Resolutions or otherwise make payments or provide for payments on Subordinate Bonds unless:

(a) all operation and maintenance expenses are being or have been paid as they become due;

(b) the monthly deposits to be made into the Debt Service Fund, the Reserve Fund and the Emergency Fund (each such fund as defined in and held under the Senior General Resolution) for all prior months have been made in full and no deficiency exists with respect to the Debt Service Fund under the Senior General Resolution;

(c) the amounts which are or will be required to be deposited into the Debt Service Fund, the Reserve Fund and the Emergency Fund (each as defined in the Senior General Resolution) and held under the Senior General Resolution during the then current calendar month have been deposited into such funds or such amounts are segregated within the SCM Fund to be used to make such deposits prior to the withdrawal or use of funds for the purpose of paying or providing for the payment of Subordinate Bonds; and

(d) after any such withdrawal or segregation as provided in (c) above and after the withdrawal for the purpose of paying or providing for the payment of Subordinate Bonds, there will remain in the SCM Fund an amount at least equal to the amount reasonably estimated by the City to be needed to provide for the System's operation and maintenance expenses during the next 45 days.

So long as the conditions (a), (b), (c), and (d) above are met, then the City may at any time and, subject to the conditions set forth above, shall, as required by Supplemental Resolutions, withdraw from the SCM Fund such amounts as are needed to pay debt service on Subordinate Bonds and fulfill other funding requirements contained in Supplemental Resolutions under which Subordinate Bonds have been issued.

Moneys Remaining in the SCM Fund. In addition to paying operation and maintenance expenses and making the deposits to the Debt Service Fund, Reserve Fund and Emergency Fund, amounts in the SCM Fund may, from time to time, be used to pay capital expenses of the System or may be used for any other lawful purpose related to the System, but if and only if all of the following conditions are met prior to any such withdrawal:

(a) all operation and maintenance expenses are being or have been paid as they become due;

(b) the monthly deposits to be made pursuant to certain provisions of the Senior General Resolution for all prior months have been made in full and no Deficiency (as defined in the Senior General Resolution) exists with respect to the Debt Service Fund as defined in and created under the Senior General Resolution; and all payments to be made to pay or provide for payment of Subordinate Bonds under the terms of Supplemental Resolutions which payments have become due have been paid in full and no deficiency then exists in any Debt Service Fund or Reserve Fund;

(c) the amounts which are or will be required to be deposited pursuant to certain provisions of the Senior General Resolution during the then current calendar month are deposited as provided in the Senior General Resolution or such amounts are segregated within the SCM Fund to be used to make such deposits prior to the withdrawal or use of funds for other purposes under this paragraph; and all amounts to be paid on the Subordinate Bonds or otherwise required under the terms of Supplemental Resolutions to be deposited to provide for the payment of Subordinate Bonds during the then current calendar month have been paid or deposited or such amounts (which may be an estimated amount deemed appropriate by the City) are segregated within the SCM Fund to be used to make such deposits prior to the withdrawal or use of funds for other purposes under this paragraph; and

(d) after such withdrawal, there will remain in the SCM Fund an amount at least equal to the amount reasonably estimated by the City to be needed to provide for the System's operation and maintenance expenses during the next 45 days.

Any amounts in the SCM Fund which are not Revenues may be used or withdrawn at any time and without restriction and such amounts may be withdrawn without regard to the requirements of the preceding paragraph, it being the intent of the Senior General Resolution and the Subordinate General Resolution, that the various funds described in the Senior General Resolution and the Subordinate

General Resolution, respectively, and the balances required to be maintained in the SCM Fund are to be maintained from the Revenues.

Books and Accounts

The City prepares annual financial statements of the SCM Fund in accordance with generally accepted accounting principles which are audited by an independent certified public accountant. See APPENDIX E – “CITY OF LOS ANGELES SEWER CONSTRUCTION AND MAINTENANCE FUND FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020 (WITH INDEPENDENT AUDITOR’S REPORT THEREON) AND DEBT SERVICE COMPLIANCE REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (WITH INDEPENDENT AUDITOR’S REPORT THEREON)” attached hereto.

The City is also required to prepare and adopt a budget for the SCM Fund annually prior to the beginning of the Fiscal Year and a five-year capital plan or capital budget setting forth in reasonable detail the amount expected to be expended in each year for capital needs of the System and the purposes for which such amounts are expected to be expended.

Operation and Maintenance of the System

The City covenants that it will maintain and preserve the System in good repair and working order, in conformity with standards customarily followed for municipal wastewater systems of like size and character. The City also covenants that it will from time to time make all necessary and proper repairs, renewals, replacements and substitutions to the properties of the System, so that at all times business carried on in connection with the System will and can be properly and advantageously conducted in an efficient manner and at reasonable cost.

Insurance and Condemnation

The City agrees that it will maintain commercial insurance or provide a self-insurance reserve against loss or damage to the System from fire, storm or other causes to the extent that such insurance or reserves are customary for sewer systems in metropolitan areas. However, the City is not required to maintain insurance against earthquake damage if it determines that earthquake insurance is not available on the open market, from reputable companies at a reasonable price. The City does not currently maintain earthquake insurance on the System and does not anticipate obtaining such coverage in the future. The City is not required to maintain liability insurance or self-insurance reserves in lieu of liability insurance in any period for which the City agrees to hold the SCM Fund harmless from all general, automobile, and public liability claims filed during such period.

The City carries all risk property coverage for the System with limits of \$1 billion for damage to real and personal property, excluding damage caused by earthquake and flood. The policy includes coverage with respect to the System with an equipment breakdown limit of \$1 billion (policy limit) for loss to boiler and machinery, excluding damage caused by earthquake and flood. The policy also includes terrorism coverage with respect to the System with a sublimit of \$200 million for certified acts of terrorism, and business interruption insurance with a sublimit of \$5 million per occurrence per location for each of the System’s wastewater reclamation facilities. The deductible for this policy is \$1 million which, if applicable, would be paid from Revenues.

The Senior General Resolution provides that the proceeds of any property damage insurance will be applied to the restoration, replacement or reconstruction of the property or facility lost or damaged, unless the City determines that such property or facility is not necessary to the efficient or proper

operation of the System and therefore determines not to restore, replace or reconstruct such property or facilities. Any proceeds of such insurance not applied to restoration, replacement or reconstruction or remaining after such work is completed will be deposited in the SCM Fund and be available for other proper uses of funds deposited in the SCM Fund. Proceeds of any liability insurance will be applied by the City in satisfaction of the applicable claim. If the City has elected to self-insure its property damage risks, then, unless the City determines not to restore, replace or reconstruct such property or facilities, amounts in the self-insurance fund will be withdrawn and used to restore, replace or reconstruct the property or facility lost or damaged as a result of a casualty for which such fund was created. If the City has elected to self-insure its liability risk, then amounts in the self-insurance fund of the SCM Fund will be withdrawn and applied in satisfaction of claims arising as a result of events for which such fund was created.

The Senior General Resolution provides that if any property or facilities comprising part of the System will be taken through the exercise of the power of eminent domain, the City will apply the proceeds of any award received on account of such taking to the replacement of the property or facilities so taken, unless the City determines that such property or facility is not necessary to the efficient or proper operation of the System and therefore determines not to replace such property or facilities. Any proceeds of such award not applied to replacement or remaining after such work has been completed will be deposited in the SCM Fund and be available for other proper uses of funds deposited in the SCM Fund.

Amendment to the Resolutions Relating to the Refundable Credits

On April 19, 2017, the City amended each of the Resolutions to provide for an offset to debt service on the Direct Subsidy Bonds and a corresponding offset to Revenues in the amount of the Refundable Credits (the amendments being referenced herein as the “Refundable Credits Amendments”). The Resolutions, as amended, provide that (i) for the purpose of calculating Maximum Annual Debt Service, in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Subordinate Bonds or Senior Lien Bonds, as applicable, that were issued as Build America Bonds or Recovery Zone Economic Development Bonds, such amount shall be reduced by an amount equal to the Refundable Credits the City is scheduled to receive with respect to such Subordinate Bonds issued as Direct Subsidy Bonds or Senior Lien Bonds issued as Direct Subsidy Bonds, as applicable, during each such twelve-month period ending June 30 (and to avoid double counting, an equivalent amount shall be deducted from Revenues for the purpose of such calculation); and (ii) with respect to the Rate Covenant, for the purpose of calculating actual debt service becoming due on Outstanding Senior Lien Bonds (in the case of the amendment to the Senior General Resolution), or Outstanding Senior Lien Bonds and Subordinate Bonds (in the case of the amendment to the Subordinate General Resolution), in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Subordinate Bonds or Senior Lien Bonds, as applicable, that were issued as Direct Subsidy Bonds, such amount shall be reduced by an amount equal to the Refundable Credits the City is scheduled to receive with respect to Subordinate Bonds or Senior Lien Bonds, as applicable, during each such twelve-month period ending June 30 (and to avoid double counting, an equivalent amount shall be deducted from Revenues for the purpose of such calculation). See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS” attached hereto.

IMPACT OF THE COVID-19 PANDEMIC

The pandemic caused by the 2019 novel coronavirus disease (“COVID-19”) has had an adverse effect on, among other things, the national and local economy, the global supply chain, international travel and travel-related industries. 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, whose duration and severity unknown, the pandemic's ultimate economic effects remain uncertain. **[UPDATE PRIOR TO PRINTING POS AS APPLICABLE]**

Although the nature and extent of the COVID-19 pandemic continue to evolve, the increasing size of the vaccinated population and declining infection rates have resulted in economic recovery that is expected to restore and improve certain City revenues. Nonetheless, various risks remain, including the possibility of increased infection rates, additional restrictive safety protocols (including business closures) and slower than expected economic recovery.

Employees of water and electric utility systems, like the System, are considered essential workers and are exempt from the “stay at home” and “safer at home” orders issued by the State, the County and the City, and therefore, the City has continued to fully provide wastewater services to its customers since the start of these orders. The COVID-19 pandemic has not impacted the City's ability to continue full operations of the System. Adequate staffing levels were maintained, operations and maintenance proceeded as planned and supplies were received without significant delays.

The City is continually reviewing the effects the COVID-19 pandemic may have on the System, and the water and wastewater utility industry, generally. In response to the COVID-19 pandemic, LADWP has been implementing a number of temporary measures intended to mitigate operational and financial impacts, and to assist the System's and LADWP's customers, including: (i) to assist customers through any financial hardship that may occur as a result of the COVID-19 pandemic, LADWP is promoting its existing payment plans and is working on additional extended payment options; and (ii) LADWP has deferred disconnections of water and power services for non-payment until the expiration of applicable disconnection moratoriums, which are currently expected to be in place through March 31, 2022. The measures taken by LADWP to date, and additional measures that may be taken in the future, may lead to the increase of uncollected accounts related to the System and the decrease of timely payments from the System's customers. The disconnection moratorium has negatively affected account receivables, as shown in Table 1.

The following table reflects the Sewer Service Charges (“SSC”) accounts receivable aging amounts and percentages for Fiscal Years 2016-17 through 2020-21.

TABLE 1
SSC ACCOUNTS RECEIVABLE AGING
Fiscal Year Ending June 30

| Fiscal Year Ended | Days | | | | | | Total | |
|-------------------------|---------------------|---------|-------------|---------|--------------|---------|--------------|---------|
| | 0-90 ⁽¹⁾ | | 91-180 | | 180+ | | | |
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| | Outstanding | Change | Outstanding | Change | Outstanding | Change | Outstanding | Change |
| 2017 | \$30,877,514 | - | \$9,608,202 | - | \$52,816,116 | - | \$93,301,831 | - |
| 2018 | 43,368,681 | 40.45% | 10,767,658 | 12.07% | 48,910,497 | (7.39)% | 103,046,836 | 10.44% |
| 2019 | 45,154,400 | 4.12 | 8,955,528 | (16.83) | 45,785,836 | (6.39) | 99,895,763 | (3.06) |
| 2020 | 52,346,618 | 15.93 | 12,460,630 | 39.14 | 48,129,724 | 5.12 | 112,936,972 | 13.05 |
| 2021 | 57,771,720 | 10.36 | 17,690,573 | 41.97 | 79,687,952 | 65.57 | 155,150,245 | 37.38 |

⁽¹⁾ Includes billed, non-aged accounts receivable.

Source: LADWP

The California State Water Resources Control Board has announced the California Water and Wastewater Arrearage Payment Program (“CWWAPP”) to provide relief to community water and wastewater system, like the System, for unpaid bills accrued between March 4, 2020 and June 15, 2021. The City expects that the arrearage that is attributable to that time period in the amount of approximately \$45 million will be funded through the CWWAPP in Fiscal Year 2021-22. Receipt of funds from CWWAPP is not included in projected operating results included in this Official Statement.

In addition, the pandemic has impacted and may continue to impact the finance and operations of the System in various ways, including but not limited to fluctuations in usage due to “stay at home” and “safer at home” orders, mandated grace periods for non-payment of utility bills, and the inability of some utility customers to pay their utility bills. In Fiscal Year 2020-21, the collected SSCs were 5.8% lower than budgeted. The impact of the pandemic on future revenue collection, including SSC, is unknown and may be material.

No assurance can be given that the reduction of revenues associated with the COVID-19 pandemic will not adversely affect the ability of the System to generate Revenues sufficient to pay debt service on the Subordinate Bonds, including the Series 2022-C Subordinate Bonds.

The City cannot predict (i) the duration or extent of the COVID-19 pandemic; (ii) to what extent the COVID-19 pandemic may affect the operations and revenues of the System; (iii) to what extent COVID-19 may disrupt the local, State, national and global economies, manufacturing or supply chain, or whether any such disruption may adversely impact System-related construction, the cost, sources of funds, schedule or implementation of the System’s capital improvement program, or other System operations; (iv) to what extent the City may provide additional deferrals, forbearances, adjustments or other changes to its customers or LADWP’s billing and collection procedures; or (v) whether any of the foregoing may have a material adverse effect on the finances and operations of the System. Prospective investors should consider that the restrictions and limitations instituted related to COVID-19 may increase (even after they are decreased), and the disruption to the national and global economies may continue and/or be exacerbated, at least over the near term, and the recovery may be prolonged, and therefore, COVID-19 may adversely impact System revenues.

See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM—Billing and Collection,” “RISK FACTORS—Infectious Disease Outbreak and Potential Impacts of COVID-19.”

THE WASTEWATER SYSTEM

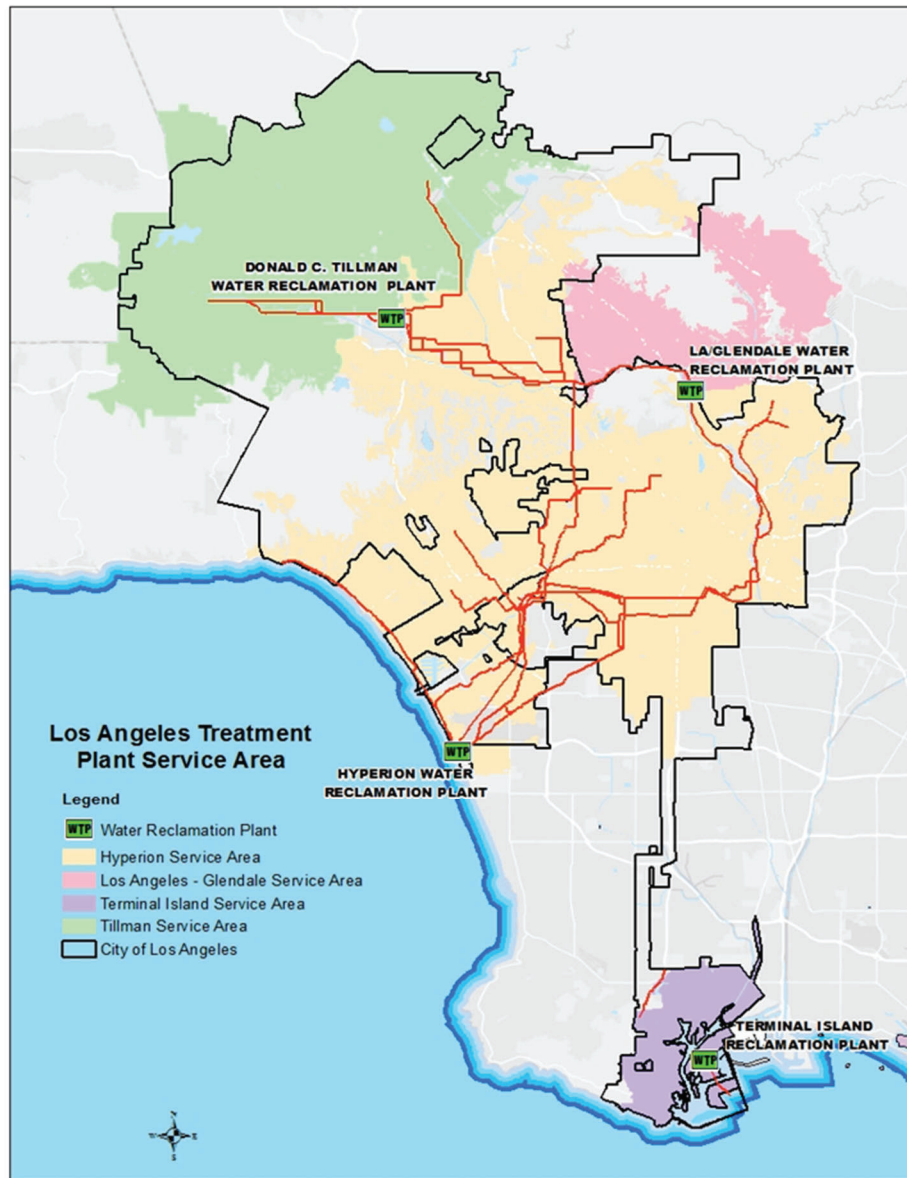
Service Area

The System provides wastewater conveyance, treatment and disposal services for an area of approximately 600 square miles that includes most of the City and certain adjacent communities. The wastewater service area within the Los Angeles Basin is determined by natural drainage patterns and does not generally conform to political boundaries. Because of the economics associated with gravity flow, parts of the City are served by other agencies and the System provides wastewater service for communities outside the boundaries of the incorporated City. Areas within the City limits that are not served by the City are served by the Los Angeles County Sanitation Districts. A map of the System is provided on the next page of this Official Statement.

The System consists of two distinct service areas. A total of 515 square miles of central, western and northern areas of the City are tributary to a coastal wastewater reclamation facility, the Hyperion Water Reclamation Plant (“HWRP”). The southern harbor area of the City, totaling 18 square miles, is tributary to the Terminal Island Water Reclamation Plant (“TIWRP”). For ease of reference, the two service areas are referred to herein as the Hyperion Service Area and the Terminal Service Area. The Hyperion Service Area serves approximately 96% of the City’s wastewater flows.

The City’s stormwater collection and conveyance system is separate from the wastewater collection and conveyance system. Stormwater is discharged into the Santa Monica Bay and Los Angeles Harbor through a series of storm drains and channels. Some dry weather urban runoff is diverted to the wastewater conveyance system for treatment at the HWRP.

**CITY OF
LOS ANGELES, CALIFORNIA
WASTEWATER SYSTEM**



Existing Facilities

In addition to HWRP and TIWRP, the City operates two other water reclamation plants upstream in the Hyperion Service Area along the Los Angeles River: the Donald C. Tillman Water Reclamation Plant (“DCTWRP”) and the Los Angeles-Glendale Water Reclamation Plant (“LAGWRP”).

The wastewater collection and conveyance system consists of more than 6,700 miles of mainline sewers, in excess of 100,000 maintenance holes, and other miscellaneous facilities. Sixty-seven percent of the sewers have been in service for 50 years or more with the oldest pipes installed about 130 years ago. The seven main interceptor sewers in the Hyperion Service Area are the Central Outfall Sewer, the

Coastal Interceptor Sewer, the East Central Interceptor Sewer, the Northeast Interceptor Sewer, the North Central Outfall Sewer, the North Outfall Sewer (“NOS”), and the North Outfall Replacement Sewer.

While a large portion of the System is gravity fed, the City maintains 24 pumping plants in the Hyperion Service Area and 20 pumping plants in the Terminal Island Service Area. The conveyance system is designed with redundancy in the form of standby pumps and power supplies. Certain plants are provided with storage retention basins or emergency bypass lines to address potential conveyance failures.

The wastewater reclamation facilities and the collection and conveyance systems are subject to ongoing capital improvements. See “WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM – Current Major Projects of the Wastewater System Capital Improvement Program” herein.

The City currently reuses biosolids, a byproduct and residual of wastewater treatment, as a soil amendment at the City-owned Green Acres Farm in Kern County. The City also composts a portion of its biosolids at its Griffith Park compost facility for application in City parks and in giveaways to City residents.

Water Reclamation Plants. The following table sets forth the approximate first year of operation, the current design capacities and the influent flows of the Hyperion Service Area reclamation facilities and the Terminal Island Service Area reclamation facilities:

**TABLE 2
EXISTING WATER RECLAMATION FACILITIES
AVERAGE FLOWS FOR FISCAL YEAR 2020-21**

| Reclamation Facility | Approximate First Year of Operation | Current Design Capacity (mgd)⁽¹⁾ | Average Flow (mgd) |
|--------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------|-----------------------------------|
| HYPERION SERVICE AREA | | | |
| Hyperion ⁽²⁾ (Secondary Treatment) | 1923 | 450 | 248 |
| Los Angeles-Glendale (Tertiary Treatment) | 1976 | 20 | 17 |
| Tillman (Tertiary Treatment) | 1984 | 80 | 39 |
| Total Hyperion System | | 550 | 304 |
| TERMINAL ISLAND SERVICE AREA | | | |
| Terminal Island (Advanced Water Purification Facility) | 1935 | 30 | 12 |
| TOTAL BOTH SYSTEMS⁽³⁾ | | 580 | 316 |

⁽¹⁾ “mgd” means million gallons per day.

⁽²⁾ Includes treated outflow from upstream plants.

⁽³⁾ Totals may not add due to rounding.

Source: Bureau of Sanitation

Hyperion Water Reclamation Plant. The HWRP was first constructed in 1923, with full secondary treatment of effluent beginning in 1950. Capacity issues required that the City discharge sludge in the ocean, beginning the City’s major wastewater capital improvement program. By 1998, the facility could provide full secondary treatment; in 2002 production of Class A Exceptional Quality Biosolids began; and in 2017 biogas produced at the plant began being used to generate electricity to fully power HWRP’s processes.

The existing HWRP, designed for an average flow of 450 mgd, currently treats an average flow of approximately 248 mgd. The HWRP has a maximum wet weather flow capacity of 850 mgd. The HWRP provides secondary treatment utilizing the pure oxygen activated sludge process.

See “Regulatory Requirements – NPDES Permits – Wastewater Overflows” herein for a discussion of a recent incident involving HWRP that occurred on July 11, 2021.

Donald C. Tillman and Los Angeles-Glendale Water Reclamation Plants. The DCTWRP first opened in 1984, and expanded in 1991. One of its key features is a 6.5-acre Japanese Garden which includes a 2.75-acre lake that is filled with treated water from DCTWRP. It is designed to provide tertiary treatment for an average dry weather flow of 80 mgd and a peak wet weather flow of 160 mgd. The purpose of the DCTWRP is to treat all of the wastewater flow from the Additional Valley Outfall Relief Sewer and the East Valley Interceptor Sewer, providing flow relief for downstream reaches of the interceptor system.

The LAGWRP, which began service in 1976, is designed to provide tertiary treatment for an average dry weather flow of 20 mgd and a peak wet weather flow of 30 mgd. This plant is able to provide flow relief for the NOS interceptor system by treating a portion of the flow from the eastern section of the San Fernando Valley and the cities of Burbank and Glendale.

Sludge produced by the two water reclamation plants is returned to the interceptor system for treatment at the HWRP. In Fiscal Year 2020-21, the DCTWRP and the LAGWRP returned a total of 9.6 mgd of sludge to the HWRP for treatment.

Terminal Island Water Reclamation Plant. The service area for the TIWRP consists of the Harbor area of the City located approximately 20 miles south of downtown Los Angeles. This area includes the communities of Wilmington and San Pedro, Terminal Island, and a portion of Harbor City. As it is geographically isolated from the rest of the City, this area requires a separate conveyance, treatment and disposal system. The facility was originally opened in 1935, converted to full secondary treatment in 1977, and completed its conversion to tertiary treatment in 1997. In 2017, an advanced water purification system was completed.

The TIWRP is designed to treat an average dry weather flow of 30 mgd and a peak wet weather flow of 55 mgd. The TIWRP has provided tertiary treatment since December 1996. TIWRP also contains an Advanced Water Purification Facility (AWPF) that uses microfiltration, reverse osmosis and an ultraviolet - advanced oxidation process. The AWPF has the capacity to produce 12 mgd of recycled water. LADWP purchases the recycled water, and then sells the water to recycled water users.

System Wastewater Flow

The following table sets forth the System wastewater flows for Fiscal Years 2011-12 through 2020-21 for each wastewater reclamation facility. The overall decrease in wastewater flow over the last decade is attributable to water conservation efforts. It is assumed that billable wastewater volume will decrease by approximately 5.25% in Fiscal Year 2021-22 due to continued impacts related to the COVID-19 pandemic, and will continue to experience a net annual decline of 0.44% due to conservation efforts from Fiscal Year 2021-22 through Fiscal Year 2023-24, with no further projected volume reduction starting Fiscal Year 2024-25. The projections assume that the System will not experience significant reductions in wastewater volume due to the currently ongoing drought and will experience a population growth of 0.1% per year. See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM” herein for a description of the effects of the City’s conservation efforts.

TABLE 3
AVERAGE HISTORIC WASTEWATER FLOW
(Amounts in Million Gallons Per Day)

| Fiscal Year Ended June 30 | HWRP | LAGWRP | DCTWRP | TIWRP | TOTAL⁽¹⁾ |
|--------------------------------------|-------------|---------------|---------------|--------------|----------------------------|
| 2012 | 288 | 20 | 46 | 14 | 368 |
| 2013 | 291 | 19 | 47 | 14 | 371 |
| 2014 | 279 | 19 | 50 | 15 | 363 |
| 2015 | 265 | 18 | 43 | 16 | 342 |
| 2016 | 252 | 17 | 46 | 14 | 329 |
| 2017 | 258 | 17 | 50 | 13 | 338 |
| 2018 | 259 | 17 | 47 | 12 | 335 |
| 2019 | 265 | 18 | 43 | 12 | 338 |
| 2020 | 261 | 17 | 41 | 12 | 333 |
| 2021 | 248 | 17 | 39 | 12 | 315 |

⁽¹⁾ Totals may not add due to rounding.

Source: Bureau of Sanitation

Subscribing Agencies

Universal Terms Contracts. The City currently provides wastewater conveyance, treatment and disposal services on a wholesale basis to 20 agencies (each, an “Agency” and collectively the “Agencies”), representing over 99% of its contract flow, pursuant to Universal Terms Contracts. The Agencies include the cities of Beverly Hills, Burbank, Culver City, El Segundo, Glendale, La Cañada Flintridge, Long Beach, San Fernando, Santa Monica, the Crescenta Valley Water District, the Las Virgenes Municipal Water District, several Los Angeles County Sanitation Districts, and the unincorporated communities of Marina Del Rey and Universal City. Service charges to the Agencies are based on the costs of the City’s wastewater facilities, including the costs of the four water reclamation plants, the costs of sewers with diameters of 36 inches or larger and of pumping stations and appurtenances connected to those sewers, and half the costs of sewers with diameters that are 30 to 36 inches and of the pump stations and appurtenances connected to those sewers.

The Universal Terms Contracts include the following key provisions: (i) the Agencies will pay shares of the costs of the City’s wastewater system facilities regardless of which facilities actually treat and convey their wastewater, (ii) the Agencies’ shares of treatment costs will reflect the flow and quality of their wastewater, (iii) the Agencies’ shares of conveyance costs will reflect their flows and distances to the wastewater reclamation facilities, (iv) the Agencies’ charges will be based on their actual wastewater flow and quality, (v) there will be no limitation on the wastewater that an Agency can discharge into the System, (vi) the Agencies and the City will share the connection fee income paid by new customers discharging to the System, (vii) interest and penalties will be added to late payments by the Agencies, (viii) each Agency may have access to a share of the reusable water produced by the City’s water reclamation plants, and (ix) the contract will have a thirty-year term, except that the parties may initiate renegotiations after ten years for certain changed conditions. All of the Universal Terms Contracts are in effect through 2029. The City expects that wastewater service to the Agencies will be extended beyond 2029 pursuant to renegotiated contracts in part because of the large economies of scale available in the System, the difficulty associated with siting and permitting smaller wastewater reclamation facilities serving just the Agencies, and the high cost of connecting the Agencies’ sewer systems to other regional wastewater systems.

Older Sewage Disposal Contracts. The City also serves nine other agencies (each, an “SDC Entity” and together with the Agencies, the “Entities”) on a wholesale basis pursuant to the older Sewage Disposal Contracts (“SDCs” which, together with the Universal Terms Contracts, the “Wastewater Service Contracts” or “WSC”). The nine SDC Entities operating under the older SDCs account for 0.3 mgd, which is 0.07% of the 29 Entities’ total average flow in Fiscal Year 2020-21. These customers include the federal Veterans Administration and several small SDC Entities. Although each SDC varies somewhat as to its terms and conditions, in general each SDC requires payment of operation and maintenance expenses and capital costs attributable to those components of the sewer system used by the SDC Entity. See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Sewer Rates and Revenues – Wastewater Service Contracts” herein for a description of Revenues relating thereto.

Flow Contributed by the Entities. The Entities contributed approximately 12.6% of the System flow in Fiscal Year 2020-21. The five largest Entities (Beverly Hills, Culver City, Glendale, Los Angeles County Sanitation District No. 4, and Santa Monica) accounted for approximately 75.6% of the 29 Entities’ total flow. The next five largest Entities accounted for approximately 17.4% of the Entities’ total flow. The following table sets forth the largest Entities and the flow contributed by each.

TABLE 4
MAJOR SUBSCRIBING ENTITIES AND FLOW CONTRIBUTED
Fiscal Year 2020-21

| Entities | Actual Flow (mgd) |
|-----------------------------------------------|----------------------|
| Glendale | 12.75 |
| Santa Monica | 7.63 |
| Los Angeles County Sanitation District No. 4 | 3.45 |
| Beverly Hills | 3.40 |
| Culver City | 2.98 |
| San Fernando | 1.67 |
| Crescenta Valley Water District | 1.51 |
| Marina Del Rey | 1.48 |
| El Segundo | 1.30 |
| Burbank ⁽¹⁾ | 1.00 |
| Los Angeles County Sanitation District No.5 | 0.60 |
| Los Angeles County Sanitation District No. 16 | 0.42 |
| Universal City | 0.36 |
| Las Virgenes Municipal Water District | 0.34 |
| Veterans Administration | 0.32 |
| Los Angeles County Sanitation District No. 9 | 0.21 |
| All Others | <u>0.50</u> |
| Total | 39.92 |

⁽¹⁾ Reflects the flow that was used in billing the City of Burbank for its wastewater service. However, this amount may be revised due to a dispute between the City and the City of Burbank over flow monitoring issues.

Source: Bureau of Sanitation

Other Facilities. The City of Burbank independently owns and operates a wastewater treatment facility capable of treating up to nine mgd of wastewater flow. The remaining flow and the sludge from the City of Burbank’s plant are deposited into the System. The City of Burbank could expand its facilities

to treat all of the wastewater now produced in the City of Burbank. However, any biosolids generated by the City of Burbank could still be discharged to the System for treatment and disposal.

The City of Glendale is responsible for 50% of the operation and maintenance expenses and 50% of non-expansion related capital improvement costs associated with the LAGWRP that is owned and operated by the City. The City is responsible for the remainder of the operation and maintenance expenses and non-expansion related capital improvement costs and all expansion-related capital improvement costs associated with this plant.

Contract Receipts. The following table sets forth WSC cash receipts from the 29 Entities for Fiscal Years 2016-17 through 2020-21. These amounts constituted approximately 6% of total System revenues in Fiscal Year 2020-21.

TABLE 5
SEWER CONSTRUCTION AND MAINTENANCE FUND
CONTRACTUAL WASTEWATER SERVICES RECEIPTS
CASH BASIS (UNAUDITED)
(in thousands)

| | Fiscal Year Ended June 30 | | | | |
|---------------------------|----------------------------------|---------------------------|---------------------------|---------------|---------------------------|
| | 2017 | 2018⁽¹⁾ | 2019⁽¹⁾ | 2020 | 2021⁽²⁾ |
| Operation and Maintenance | \$24,303 | \$19,975 | \$33,388 | \$26,608 | \$29,461 |
| Capital ⁽³⁾ | <u>22,343</u> | <u>13,642</u> | <u>21,532</u> | <u>18,833</u> | <u>14,836</u> |
| Total ^{(4),(5)} | \$46,646 | \$33,617 | \$54,920 | \$45,441 | \$44,298 |

⁽¹⁾ Receipts from the Entities declined in Fiscal Year 2017-18 because fewer reconciliation invoices being paid by the Entities in Fiscal Year 2017-18 for service incurred in Fiscal Year 2016-17. In addition, the City of Glendale's share of the cost of LAGWRP, in the amount of \$11.5 million, was billed late which did not provide enough time for the City of Glendale to pay in the same fiscal year. This is reflected in the higher receipts in Fiscal Year 2018-19.

⁽²⁾ Receipts decreased in Fiscal Year 2020-21 pending reconciliations of capital costs in connection with ongoing discussions with the Entities.

⁽³⁾ Capital charges to the Entities are based on the costs of the City's wastewater facilities, including the costs of the four water reclamation plants, the costs of sewers with diameters of 36 inches or larger and of pumping stations and appurtenances connected to those sewers, and half the costs of sewers with diameters that are 30 to 36 inches and of the pump stations and appurtenances connected to those sewers. As such, the capital costs the Entities will be charged will fluctuate depending on the priorities of the CIP and types of capital projects in any given year.

⁽⁴⁾ Totals may not equal the sum of components due to individual rounding.

⁽⁵⁾ See Table 17 for total System revenues, which include operating receipts and non-operating receipts. Capital receipts from the Entities do not constitute Revenues pledged to the Series 2022-C Subordinate Bonds.

Source: Office of Accounting

ORGANIZATION AND MANAGEMENT OF THE SYSTEM

General

The City is the planning agency, owner and operator of the System. The governing body consists of the Mayor, who is chief executive of the City, and a 15-member full-time City Council, which is the legislative body. The Mayor, the members of the City Council, the City Controller and City Attorney are elected officials.

The Board of Public Works manages the Department of Public Works, which administers the City's water pollution control policy and is responsible for operation of the following bureaus: Contract

Administration, Engineering, Sanitation, Street Lighting, and Street Services. The Board of Public Works is composed of five full-time salaried members appointed by the Mayor for a term of five years.

The Board of Public Works advertises and invites proposals for bids, awards contracts for the construction of public facilities, and coordinates the issuance of certain activity permits for use of City-owned property.

Office of Accounting

The Office of Accounting of the Board of Public Works (the “Office of Accounting”) provides accounting and financial services to the Department of Public Works for all of its funds and programs, including the SCM Fund and the wastewater program. The Office of Accounting also prepares SCM Fund financial reports and statements, and operates systems to provide general ledger and cost data to departmental users.

Bureau of Engineering

The Bureau of Engineering prepares environmental assessments, preliminary designs, final plans, specifications, and estimates for storm drains, sewers, water reclamation plants, bridges, service yards, and other public improvements. The Bureau of Engineering handles contract documents and certain contractual relationships for the aforementioned items during construction. The Bureau of Engineering acquires rights of way and easements required for the various City projects. For major design projects, such as the rehabilitation of the NOS, the Bureau of Engineering's staff is augmented through the use of engineering consultants.

Bureau of Sanitation

The Bureau of Sanitation is responsible for the operation and maintenance of all facilities required for the conveyance, treatment, and recycling of wastewater, including various technical services related to wastewater. The Bureau of Sanitation is also responsible for the collection and disposal of refuse and other solid waste and for maintenance of local storm drains. The Bureau has 25 divisions with over 3,300 employees.

A number of the Bureau's divisions are responsible for operating the System. Each of the four water reclamation plants has its own division responsible for its operations and maintenance activities. A separate division is responsible for operating the separate sanitary sewer and local storm drain conveyance systems for both wastewater and storm water. The Wastewater Engineering Service Division is responsible for integrated planning and engineering services for the System.

A number of technical services are provided to the System by other divisions of the Bureau: the Environmental Monitoring Division, the Industrial Waste Management Division, the Information and Control Systems Division, the Industrial Safety and Compliance Division, and the Regulatory Affairs Division.

The Financial Management Division is responsible for wastewater-related budget, cost recovery, customer services, and other financial matters, including developing and recommending rates and charges for the System. The Administration Division handles activities related to contracts, purchasing, payroll, and human resources.

Bureau of Contract Administration

The Bureau of Contract Administration is responsible for administering contracts and permits for construction of all public works projects, including providing inspection services at construction sites, preparing statements of payments due on contracts, recommending acceptance of public improvement projects, and reviewing contractor compliance with affirmative action and minority business enterprise requirements on City projects.

WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM

General

The City's capital planning process reflects several levels of decision making. The long-range planning is contained in the *One Water LA 2040 Plan* (which replaced the previously known *Integrated Resources Plan* and is now commonly referred to as *the Zero Wasted Water Plan*) (the "Plan"). The purpose of the Plan is to increase sustainable water management for the City to develop a vision and implementation strategy, to more sustainably and cost-effectively manage water and identify ways for City departments and regional agencies to integrate their water management strategies. Bureau of Sanitation and LADWP led the Plan's development, partnering with other City departments, regional agencies, academia, the business community, and other stakeholders. Among the resources addressed were stormwater pollution abatement, increased capture of stormwater and expanded uses of recycled wastewater. The latter goal is addressed in a chapter of the Plan titled the Wastewater Facilities Plan.

The Wastewater Facilities Plan informs the development of the Clean Water Capital Improvement Program (the "CIP"), an ongoing, ten-year, capital expenditure program. The general objectives of the CIP are to meet federal and State requirements and City policy regarding water pollution control, to provide satisfactory levels of service to users of the System, and to maintain the integrity of the System. The projects included in CIP have been approved by the City's Program Review Committee (the "PRC"), comprised of Assistant Directors of the Bureau of Sanitation and a Deputy City Engineer. The administration, coordination, and implementation of the projects in the CIP are assigned to various divisions of the Bureau of Sanitation and the Bureau of Engineering in the Department of Public Works. The CIP includes replacement, rehabilitation, water recycling and expansion of the City's water reclamation and collection system facilities. The 10-year estimated total cost of the CIP is approximately \$4.1 billion.

The CIP currently includes such improvements to the System as the installation of major interceptor sewers, the renovation or replacement of other major sewers and pumping stations, and the modernization and upgrading of wastewater treatment and water recycling facilities to, among other things, provide for the expanded availability and use of recycled water.

The Bureau of Sanitation is responsible for final decisions relating to the CIP costs and priorities. The PRC evaluates the CIP annually, and meets monthly to consider any changes affecting scope, cost, schedule, and overall implementation of CIP components. The City funds CIP projects either with existing funds on hand or by issuing debt. The source of funding for each CIP project is determined after review by the Bureau of Sanitation's Financial Management Division of the project type, current cash level and compliance requirements.

The City annually prepares a Wastewater System Capital Improvement Expenditure Program budget for the System to appropriate funds for capital projects, which is included for funding in the City's annual budget.

Prior Year Capital Expenditures

The following table sets forth the unaudited capital expenditures made by the City for the CIP from Fiscal Years 1986-87 through 2020-21.

TABLE 6
WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM EXPENDITURES
Fiscal Years 1986-87 through 2020-21 (Cash Basis)
(in thousands)

| Fiscal Year Ended June 30 | Wastewater Treatment | | | | | Non Construction Capital Expenditures ⁽⁴⁾ | Total ⁽⁵⁾ |
|---------------------------------|-------------------------------------------------|-------------------------------------------|-----------------------------------------------------|-------------------------------|-----------------------------------------------------|---------------------------------------------------------------|----------------------|
| | System- Wide Conveyance and Pumping | Hyperion Water Reclamation Plant | Other Water Reclamation Plants ⁽²⁾ | Plant Projects Subtotal | Construction Projects Subtotal ⁽³⁾ | | |
| Prior Years ⁽¹⁾ | \$2,373,341 | \$2,038,649 | \$445,068 | \$2,483,717 | \$4,857,058 | \$1,676,255 | \$6,533,313 |
| 2012 | 57,569 | 30,398 | 10,699 | 41,097 | 98,666 | 60,402 | 159,068 |
| 2013 | 71,938 | 32,266 | 6,480 | 38,746 | 110,684 | 77,519 | 188,203 |
| 2014 | 72,059 | 23,751 | 20,520 | 44,271 | 116,330 | 74,290 | 190,620 |
| 2015 | 67,512 | 58,671 | 12,458 | 71,129 | 138,641 | 75,547 | 214,188 |
| 2016 | 126,622 | 71,180 | 50,236 | 121,416 | 248,038 | 108,031 | 356,069 |
| 2017 ⁽⁶⁾ | 98,532 | 56,161 | 58,160 | 114,321 | 212,853 | 107,841 | 320,694 |
| 2018 ⁽⁶⁾ | 146,664 | 61,005 | 31,177 | 92,182 | 238,846 | 108,174 | 347,020 |
| 2019 ⁽⁶⁾ | 151,185 | 50,177 | 23,843 | 74,020 | 225,205 | 113,238 | 338,443 |
| 2020 | 184,610 | 69,331 | 19,123 | 88,454 | 273,064 | 122,934 | 395,998 |
| 2021 | 127,067 | 47,743 | 13,438 | 61,181 | 188,248 | 125,025 | 313,273 |
| Total | <u>\$3,477,099</u> | <u>\$2,539,332</u> | <u>\$691,202</u> | <u>\$3,230,534</u> | <u>\$6,707,633</u> | <u>\$2,649,256</u> | <u>\$9,356,889</u> |

⁽¹⁾ Includes capital improvements from Fiscal Year 1986-87 through Fiscal Year 2010-11.

⁽²⁾ Includes the LAGWRP, DCTWRP and TIWRP construction projects.

⁽³⁾ Represents the sum of System-wide conveyance and pumping expenditures and wastewater treatment expenditures.

⁽⁴⁾ Includes non-construction expenditures of the CIP, such as: capital labor, retirement contributions for System staff who work on the CIP, equipment for the CIP, SRF Clean Water Loan payments, and the costs of issuance of the debt issued to finance capital improvements.

⁽⁵⁾ Represents the sum of capital improvement expenditures and capital non-construction program expenditures.

⁽⁶⁾ Non Construction Capital Labor for Fiscal Years 2016-17, 2017-18 and 2018-19 was restated from estimated costs to reflect actual costs.

Source: Bureau of Sanitation and Office of Accounting

Current Major Projects of the Wastewater System Capital Improvement Program

Current Projects. The following projects are currently included in the CIP and some of the projects are expected to be funded or refinanced in whole or in part from proceeds of the Series 2022-C Subordinate Bonds. The cost estimates for the projects that are set forth below may increase and the expected dates of completion for these projects may be delayed due to unexpected events, circumstances or conditions. See “- Financing Plans for the Wastewater System Capital Improvement Program” herein.

Venice Pumping Plant Dual Force Main. The City is constructing a second force main to handle the peak wet weather flow at this pumping plant. The estimated cost for the construction phase of this project is approximately \$96 million, of which approximately \$49 million remains to be spent. Completion of the project is scheduled in Fiscal Year 2021-22.

Secondary Sewer Renewal Program. The City's Secondary Sewer Renewal Program (“SSRP”) (replacing sewer lines less than 16 inches in diameter) will continue to be a large portion of the CIP. The SSRP includes 10 projects expected to be completed in Fiscal Year 2026-27 and totaling approximately \$82 million. The City continuously assesses the secondary sewers, and additional projects will be added to the SSRP as needed.

Donald C. Tillman Water Reclamation Plant - Advanced Water Purification Facility. The project is to construct an up to 18 mgd AWPf at the DCTWRP, then convey the purified recycled water to the spreading grounds. The project is estimated to cost approximately \$385 million and is expected to be completed in Fiscal Year 2026-27.

NOS/Large Diameter Sewer Pipe CCTV and Emergency Repairs. In Fiscal Year 2020-21, the Bureau of Sanitation completed 51 miles of Closed Circuit Television (CCTV) inspection of the NOS and 63 miles of primary sewers (sewers 16-inch and greater). There have been 14 emergency repair actions on the NOS resulting from large diameter sewer inspections. Approximately 2.75 miles of the NOS have been repaired or replaced by these emergency projects, costing approximately \$77 million. The rehabilitation of the NOS and other large diameter sewers are ongoing. As the City continues the CCTV program, there will be a need for planned and emergency repairs to other sections of the NOS and other large diameter sewers, as these corrode due to an aging system. The City plans to spend \$327 million for NOS and large diameter projects from Fiscal Year 2021-22 through 2025-26. The CIP also includes many major sewers that require rehabilitation and repairs. However, there are no guarantees that future sewer failures will not occur. See “- Secondary Sewer Renewal Program” above for a description of the City's program for replacing portions of the Conveyance System, including renewals of secondary sewers.

Additional Projects. In addition to the projects described above, the City plans to spend approximately \$1 billion from Fiscal Year 2021-22 through Fiscal Year 2025-26 to fund over 150 additional projects. These projects include collection system improvements (sewer rehabilitations and new sewers and rehabilitations) and pumping plants projected at \$277.3 million, reclamation plant process enhancements projected at \$440.3 million, and recycling projects at the four wastewater reclamation facilities projected at \$290.3 million.

A longer-term project is the Hyperion 2035 Water Recycling Project. The City set a goal of recycling all of the flow at the HWRP by 2035, although it is likely the timeline will be extended by an undetermined amount due to financial disruption caused by the COVID-19 pandemic. While the majority of the construction for this program is outside of the five-year horizon presented herein, several preliminary and pilot projects are underway, including the HWRP Advanced Water Purification Facility - Los Angeles International Airport (“HWRP AWPf-LAX”) Project, the HWRP AWPf Membrane BioReactor Pilot (“HWRP AWPf MBR Pilot”) Project, and the HWRP Advanced Water Purification Facility. The HWRP AWPf LAX Project will construct a 1.5 mgd advanced water treatment process at HWRP that will serve the Los Angeles International Airport. The HWRP AWPf MBR Pilot Project consists of a pilot study to determine the feasibility of utilizing the nitrification and denitrification MBR at HWRP. The Hyperion 2035 Water Recycling Project will construct up to 250 mgd of advanced water treatment process at HWRP, with an approximate cost estimate of over \$4 billion. These recycled water projects are joint projects between Bureau of Sanitation and LADWP, which LADWP agrees to pay for the capital costs required to produce recycled water above what is required by HWRP’s NPDES permit.

Proposed CIP Expenditures. The following table sets forth a summary of the projected CIP expenditures for Fiscal Years 2021-22 through 2025-26. See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Water Usage – *General*” herein. The City continually monitors its revenues and billable wastewater volume and adjusts the capital program accordingly.

TABLE 7
SUMMARY PROJECTED CAPITAL IMPROVEMENT PROGRAM EXPENDITURES
Fiscal Years 2021-22 through 2025-26
(in thousands)

| Fiscal Year Ending June 30 | Construction Capital Expenditures | | | | | | Non- Construction Capital Expenditure ⁽⁴⁾ | Total ⁽⁵⁾ |
|-------------------------------------|--------------------------------------------------|-------------------------------------------|-----------------------------------------------------|----------------------------------------------|-------------------------------|-----------------------------------------------------|---------------------------------------------------------------|----------------------|
| | System- Wide, Collection and Pumping | Hyperion Water Reclamation Plant | Other Water Reclamation Plants ⁽¹⁾ | Recycled Water Projects ⁽²⁾ | Plant Projects Subtotal | Construction Projects Subtotal ⁽³⁾ | | |
| 2022 | \$137,967 | \$48,340 | \$65,850 | \$49,412 | \$163,603 | \$301,569 | \$124,379 | \$425,948 |
| 2023 | 175,068 | 43,056 | 64,386 | 84,490 | 191,932 | 367,000 | 132,835 | 499,835 |
| 2024 | 101,709 | 20,377 | 37,383 | 224,356 | 282,116 | 383,826 | 136,359 | 520,185 |
| 2025 | 138,191 | 21,176 | 42,523 | 148,109 | 211,809 | 350,000 | 139,983 | 489,983 |
| 2026 | 182,377 | 46,906 | 50,326 | 131,909 | 229,141 | 411,518 | 143,710 | 555,228 |
| Total | <u>\$735,313</u> | <u>\$179,855</u> | <u>\$260,469</u> | <u>\$638,276</u> | <u>\$1,078,601</u> | <u>\$1,813,913</u> | <u>\$677,267</u> | <u>\$2,491,181</u> |

⁽¹⁾ Includes non-recycled water projects at LAGWRP, DCTWRP, and TIWRP construction projects.

⁽²⁾ Includes advanced water purification projects at HWRP and DCTWRP.

⁽³⁾ Represents the sum of system-wide collection and pumping expenditures, water reclamation plant, and recycled water construction expenditures.

⁽⁴⁾ Includes non-construction expenditures of the CIP, such as: capital labor, retirement contributions for System staff who work on the CIP, equipment for the CIP, and the costs of issuance of the debt issued to finance capital improvements and SRF Clean Water Loan payments (which payments ends in Fiscal Year 2024-25).

⁽⁵⁾ Represents the sum of capital improvement construction expenditures and capital non-construction program expenditures.

Source: Bureau of Sanitation

Financing Plans for the Wastewater System Capital Improvement Program

There are four primary funding sources available for the CIP: (i) System Revenues, (ii) Wastewater Service Contracts, (iii) proceeds of debt issuances, and (iv) federal and state grants and reimbursements.

System Revenues derived from user fees will continue to directly finance a portion of capital improvements. Wastewater Service Contract capital payments made under agreements or contracts with 29 regional entities include reimbursement for certain capital improvements and related engineering and contract administration costs. Debt financing (primarily commercial paper, revenue bonds and State and Federal loans) will provide the largest share of funds required by the CIP. The City estimates that a total of approximately \$1.4 billion of the CIP expenditures from Fiscal Years 2021-22 through 2025-26 will be financed through the issuance of bonds, notes or other forms of indebtedness.

The Outstanding Senior Lien Bonds and Subordinate Bonds were issued pursuant to the Charter of the City. Originally, the voters of the City authorized the issuance of wastewater system revenue bonds and notes under the Revenue Bond Law of 1941 in an aggregate principal amount of \$3.5 billion. The voters of the City subsequently approved a new Charter which became effective July 1, 2000. Under the new Charter, revenue bonds and notes of the City may be issued in accordance with the Procedural Ordinance and without any further authorization by the voters of the City. The Series 2022-C Subordinate Bonds will be issued pursuant to the Charter of the City and the Procedural Ordinance.

The City had approximately \$51.97 million aggregate principal amount of outstanding under a loan from the Clean Water State Revolving Fund (the “SRF Clean Water Loan”) as of December 2021. The City’s existing SRF Clean Water Loan will be paid through August 9, 2024. The SRF Clean Water Loan is secured on a basis subordinate to all outstanding and hereinafter issued Senior Lien Bonds and the Subordinate Bonds, including Wastewater System Commercial Paper Notes.

On September 23, 2021, the City incurred a loan in the original principal amount of up to \$223,921,010 (the “WIFIA Loan”) from the United States Environmental Protection Agency for a financing under the Water Infrastructure Finance and Innovation Act for the AWPf project and three

related projects at DCTWRP (collectively, the “DCTWRP AWP Project”). The DCTWRP AWP Project, anticipated to be substantially completed on September 30, 2027, will provide high quality recycled water for groundwater recharge. The City plans to draw on the WIFIA Loan upon the substantial completion of the DCTWRP AWP Project. The WIFIA Loan is secured on parity with the Subordinate Bonds, and the WIFIA Loan agreement provides that terms of proposed amendments to the Senior General Resolution and Subordinate General Resolution will become effective with respect to the WIFIA Loan upon the approval of such amendments by the requisite percentage of owners of the Senior Lien Bonds or the Subordinate Bonds, as applicable. See “FUTURE AMENDMENT OF SUBORDINATE GENERAL RESOLUTION AND SENIOR GENERAL RESOLUTION – Amendment of Subordinate General Resolution.”

In addition to the WIFIA Loan, the project may also be funded with up to \$266 million from a State Revolving Fund Loan (the “SRF Loan”), as specified in the 2020-21 Clean Water State Revolving Fund Intended Use Plan published on June 16, 2020, with the remaining project cost funded by other debt and cash from Revenues. The City is currently preparing the SRF Loan application for submission. The SRF Loan is expected to be issued on parity with the Subordinate Bonds.

The following table sets forth the projected major funding sources for the CIP for Fiscal Years 2021-22 through 2025-26.

TABLE 8
PROJECTED SOURCES OF FUNDING FOR
CAPITAL IMPROVEMENT PROGRAM
(in thousands)

| Description | Fiscal Year Ending June 30 | | | | | Total |
|----------------------------------------------------|----------------------------|------------------|------------------|------------------|------------------|--------------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | |
| Recycled Water Capital Contributions | | | | | | |
| DCTWRP AWP Project (LADWP) ⁽¹⁾ | \$6,000 | \$77,733 | \$63,162 | \$50,453 | \$22,281 | \$219,629 |
| HWRP LAW Project (LAWA) ⁽²⁾ | 7,434 | 16,331 | 16,963 | 7,876 | 3,826 | 52,429 |
| HWRP MBR Project (West Basin/LADWP) ⁽³⁾ | <u>4,000</u> | <u>2,000</u> | <u>800</u> | <u>--</u> | <u>--</u> | <u>6,800</u> |
| Recycled Water Capital Contributions | \$17,434 | \$96,064 | \$80,924 | \$58,329 | \$26,107 | \$278,858 |
| Debt Proceeds ⁽⁴⁾ | 248,237 | 249,211 | 280,831 | 269,282 | 376,455 | 1,424,016 |
| System Revenues | 133,734 | 142,082 | 145,494 | 148,998 | 138,995 | 709,303 |
| Wastewater Service Contract Capital Payments | 10,788 | 11,386 | 11,728 | 12,079 | 12,442 | 58,422 |
| Interest Income | 756 | 1,093 | 1,208 | 1,294 | 1,230 | 5,581 |
| Proceeds from Insurance ⁽⁵⁾ | <u>15,000</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>15,000</u> |
| Total ⁽⁶⁾ | <u>\$425,948</u> | <u>\$499,835</u> | <u>\$520,185</u> | <u>\$489,983</u> | <u>\$555,228</u> | <u>\$2,491,181</u> |

⁽¹⁾ The AWP Project consists of the construction of an up to 18 mgd AWP at the DCTWRP and the conveyance of the purified recycled water to the spreading grounds.

⁽²⁾ The HWRP Advanced Water Purification Facility - Los Angeles World Airports Project consists of the construction of a 1.5 mgd advanced water treatment process at HWRP that will serve the Los Angeles International Airport.

⁽³⁾ The HWRP MBR Pilot Project consists of conducting a pilot study to determine the feasibility of utilizing the nitrification and denitrification membrane bioreactors at HWRP.

⁽⁴⁾ Reflects use of proceeds of bonds, commercial paper notes and/or other indebtedness in the indicated fiscal year.

⁽⁵⁾ Reflects insurance proceeds received as of December 1, 2021 from the July 2021 sewerage overflow at the HWRP. See "REGULATORY REQUIREMENTS AFFECTING OPERATION OF THE SYSTEM – Wastewater Overflows." However, additional insurance proceeds may be received related to this event as the full cost of the claimed damages has not yet been completed.

Source: Bureau of Sanitation

FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM

Sewer Rates and Revenues

General. The City's user fee system consists of a sewer service charge, industrial wastewater surcharge and fees, a sewerage facilities charge, wastewater service contracts and miscellaneous fees, as summarized below. In addition to the foregoing fees and charges, the City finances operations and capital expenditures through interest earnings and miscellaneous revenues. For Fiscal Year 2020-21, combined operating and nonoperating revenues are estimated to be approximately \$769.2 million.

- *Sewer Service Charge:* This charge is based on metered water usage and includes reduced rates for low income households and a compensating surcharge for non-low income households and commercial customers. Revenues from the Sewer Service Charge (“SSC”) constitute the largest component of the System’s total operating revenues, having comprised over 88.3% of total operating revenues of the System annually from Fiscal Years 2016-17 through 2020-21. Revenues from the SSC were approximately 86.89% of revenues for Fiscal Year 2020-21.
- *Wastewater Service Contracts:* The Wastewater Service Contracts with the Entities provide for cost reimbursement of capital and operation and maintenance expenses. Revenues from WSC capital and operation and maintenance payments were approximately 5.76% of revenues for Fiscal Year 2020-21. The capital component of WSC payments is used for pay-go capital projects.
- *Industrial Wastewater Surcharge and Fees:* The Quality Surcharge Fee is designed to recover the costs related to suspended solids (“SS”) and biochemical oxygen demand (“BOD”) strengths above normal or domestic strength values as well as costs for administering and maintaining the surcharge program. Industrial Wastewater Permit Application Fees are designed to recover the cost required to process permit applications for applicable users. Inspection and Control Fees are designed to recover the costs of necessary inspections of permitted users. Significant Industrial User fees recover a portion of additional costs incurred in the monitoring and inspection of certain industrial users subject to EPA categorical pretreatment requirements. Revenues from industrial wastewater surcharge and fees were approximately 2.57% of revenues for Fiscal Year 2020-21.
- *Sewerage Facilities Charge:* The Sewerage Facilities Charge (“SFC”) is designed to recover the cost of the System capacity required by new sewer connections and increases in capacity required by current System users. Revenues from SFC were approximately 1.90% of revenues for Fiscal Year 2020-21.
- *Miscellaneous Fees:* These fees include bonded sewer fees, septage fees, sewer tap fees, and other miscellaneous revenue sources. Revenues from miscellaneous fees were approximately 2.88% of Revenues for Fiscal Year 2020-21.

Pursuant to the Municipal Code of the City, all revenues derived from these user fees and charges are deposited into the SCM Fund and expended “only for sewer and sewage-related purposes, including but not limited to industrial waste control and water reclamation purposes.” All interest earnings on moneys held in the SCM Fund are retained in the Fund. The methodology for developing the fee schedules for the above outlined charges is governed in part by the Municipal Code of the City of Los Angeles and the California State Water Resources Control Board (“SWRCB”), acting on behalf of the USEPA.

Specific revenue calculation requirements and policies for specific components of the City’s sewer charges are described below.

Sewer Service Charge. The City currently imposes a SSC based on a rate of \$5.80 per 100 cubic feet of wastewater discharged into the System. In February 2012, the City Council adopted a series of annual SSC rate increases effective April 6, 2012 and July 1, 2013 of 4.5% and annual rate increases of 6.5% effective each July from July 1, 2014 through July 1, 2020. The current rate is the last of these adopted rates. It is assumed that billable wastewater volume will decrease by approximately 5.25% in

Fiscal Year 2021-22 due to continued impacts related to the COVID-19 pandemic, and will also decrease by a net rate of 0.44% per year from Fiscal Year 2021-22 through Fiscal Year 2023-24 due to water conservation efforts, with no further projected volume reduction starting Fiscal Year 2024-25. See “- Water Usage and Wastewater Volume - General” herein. The SSC provided approximately \$668.4 million in revenue for Fiscal Year 2020-21. This is a 5.8% reduction from what was budgeted and reflects an estimation of the effect of the COVID-19 pandemic on SSC revenues. See “IMPACT OF THE COVID-19 PANDEMIC,” “- Projected Statement of Revenues and Expenditures” and “-Rate Setting Process” herein.

The determination of the SSC for residential customers, including multiple family dwellings up to four units, is based on winter water usage, which is established annually to determine each residential customer’s minimum daily water consumption. Once established, each residential customer’s minimum daily water consumption is presumed to closely approximate the sewer discharge and will be used to compute the SSC for the ensuing Fiscal Year. Qualifying low-income residential customers receive a 31% discount on the first 1,800 cubic feet of bimonthly wastewater volume. Low-income discounts are offset by a 0.84% surcharge applied to the base SSC of all other users who do not qualify as low-income residential customers and by the City’s General Fund. The City’s use of winter water usage determination in calculating SSC is currently subject to litigation. See “LITIGATION – Certain Claims Against the SCM Fund.”

The winter water use method does not apply to commercial customers, including multiple family dwellings of five or more units, industrial, governmental and other non-residential users, who are billed at the rate of \$5.80 per 100 cubic feet of 93% of total metered water usage effective July 1, 2020. The default percentage discharge may be adjusted within a range of 90% to 94% based on LADWP updates to its water conservation policies, which currently includes a mandatory water conservation ordinance that imposes increased rates on water usage above certain specified levels. Prior to April 6, 2012, the default percentage discharge was 90%. The default percentage discharge was subsequently increased to 93% to reflect the use of less irrigation water, which resulted in a higher percentage of the metered water used entering the sewer. Users whose water does not enter the sewer system are not billed for that water usage.

The ten largest customers of the System for Fiscal Year 2020-21 provided approximately 6.9% of the SSC revenue in that year. The following table sets forth the SSC for each of the ten largest customers:

TABLE 9
SEWER SERVICE CHARGE BILLED TO
TEN LARGEST CUSTOMERS
Fiscal Year 2020-21

| User | Customer Type | SSC Billed |
|----------------------------------------|-----------------------------------|-------------------|
| City of Los Angeles | Government | \$15,037,713 |
| Los Angeles Unified School District | School district | 7,448,355 |
| County of Los Angeles | Government | 6,270,386 |
| Phillips 66 Company | Petroleum product refiner | 4,376,810 |
| University of California – Los Angeles | Education | 3,439,602 |
| Anheuser Busch LLC | Brewing Company | 2,500,224 |
| University of Southern California | Education | 2,153,931 |
| ERP Operating Limited Partnership | Property maintenance; real estate | 1,874,360 |
| GK Property Management Co., Inc. | Property maintenance; real estate | 1,601,150 |
| Park La Brea | Property maintenance; real estate | <u>1,600,452</u> |
| Total ⁽¹⁾ | | \$46,302,984 |

⁽¹⁾ Totals may not equal the sum of components due to individual rounding. Total estimated SSC revenue for Fiscal Year 2020-21 was \$668.4 million.

Source: Bureau of Sanitation

Quality Surcharge Fees, Inspection and Control Fees, Industrial Wastewater Permit Application Fees and Significant Industrial User Fees. Pursuant to Section 64.30 of the Municipal Code of the City and the Revenue Program Guidelines for Wastewater Agencies published by the SWRCB, Division of Water Quality, the City assesses a Quality Surcharge Fee (“QSF”) on users of the wastewater system whose wastewater discharge strength, as measured by SS and BOD, is higher than 265 milligrams per liter of BOD and/or 275 milligrams per liter of SS (domestic strength). Treatment of “high strength” wastewater results in additional operating costs, such as the cost of additional chemicals, power and solids storage capacity and final disposal. Since July 1, 2020, the QSF rates have been \$0.604 per pound for BOD and \$0.608 per pound for SS.

The QSF provided approximately \$10.5 million in revenue for Fiscal Year 2020-21. See “-Projected Statement of Revenues and Expenditures” herein.

Most of the QSF revenue is attributable to certain large customers of the System. The largest QSF revenue contributor in Fiscal Year 2020-21 was Juanita’s Foods, Inc., with a total surcharge of \$1,020,500. Grifols Biologicals, Inc. was the second largest contributor with a total surcharge of \$554,536. Baxalta US Inc., Darling International, Inc. and Phillips 66 Company followed with total surcharges of \$509,290, \$304,818, and \$240,743 in Fiscal Year 2020-21, respectively. These five customers accounted for 37.2% of the QSF revenue.

The wastewater strength unit costs applied to QSF customers are also applied to users who participate in the low-strength SSC and “zero-based” QSF program. Under this program, users with one or both wastewater strength parameters below domestic strength values can petition for a “low-strength” SSC rate that includes only the flow component of the unit SSC. These low-strength customers are then billed for the strength component of the SSC by paying a “zero-based” QSF equal to the treatment cost

for the actual concentrations of BOD and SS in their discharge. The current “low-strength” SSC rate is \$4.022.

In addition to the strength charges, when applicable, the City charges three other industrial waste related fees, including an Inspection and Control (“I&C”) Fee for each industrial user (“IU”) in possession of a valid Industrial Wastewater Permit. This fee is designed to recover the cost of inspecting and monitoring IUs and is set by ordinance. The I&C Fee currently ranges from \$85 to \$5,070 per permit per year based on the IU’s industrial classification. The City administers the Industrial Waste Source Control Program to reduce the introduction of all regulated pollutants and prevent the discharge of all prohibited pollutants into the sewer system. All IUs must obtain permits to discharge into the System. For Fiscal Year 2020-21, there are 16,258 local IUs with 16,620 active permits granting them permission to discharge to the System. Permit Application Fees are currently \$616. The City also has established a Significant Industrial User (“SIU”) program for IUs with discharges in excess of 25,000 gallons per day of processed wastewater, and all IUs that are subject to the Federal Categorical Pretreatment Standards established by the US EPA regardless of their discharge amounts. There are 171 SIUs currently regulated by the City. Existing SIU fees range from \$3,843 to \$7,257, depending on the SIU classification. The City estimates that the cost recovered from the Industrial Waste Fees through permit application fee, QSF, I&C, and SIU fees for Fiscal Year 2020-21 is approximately \$19.7 million.

The City has implemented a commercial and industrial grease control ordinance, known as the Fats, Oils and Grease Control Program (“FOG Control Program”). The goal of this program is to reduce the amount of grease that accumulates in sewers, leading to blockages and potential overflows. As of June 30, 2021, approximately 8,673 food service establishments (“FSEs”) were regulated under the FOG Control Program. These businesses are required to obtain an Industrial Wastewater Permit, pay a one-time application fee of \$616 and pay an annual Inspection and Control Fee of \$423. As of June 2020, the City also permits and regulates approximately 1,840 dental offices in the City to control the potential discharge of certain heavy metals into the sewer system. These offices must obtain an Industrial Wastewater Permit and follow best management practices (“BMPs”) for capture of certain elements. Dental offices meeting the BMPs are inspected every five years and businesses not complying with the BMPs are inspected every year and are subject to higher fees.

Sewerage Facilities Charge. The SFC is a fee collected when a customer is initially connected to the City’s sewer system. The “System Buy-In Approach” is used to determine SFCs for new connections and increased usage of the System. The parameters used to calculate the SFC are set forth in an ordinance adopted by the City Council. These parameters permit charges for wastewater strength to be determined separately. A customer’s SFC is based on two measures of wastewater strength, BOD and SS, in addition to the customer’s flow. This approach determines the SFC based on flow and strength proportionate to shares of the equity of the wastewater system, as originally contributed by the existing system customers. The SFC is based on the reproduction cost, less depreciation value of the existing facilities, and the applicable portion of wastewater system reserve funds, minus the outstanding debt of the wastewater system. Revenue from the SFC is dependent on growth and new construction within the City.

The SFC base rates are currently \$344 per 100 gallons per day of flow, \$159 per pound per day of BOD, and \$147 per pound per day of SS. Applying the base rates to the sewage generation factors for typical three and four-bedroom single-family residences results in SFCs of \$950 and \$1,136, respectively.

Pursuant to the Municipal Code of the City, the Board of Public Works is authorized to issue refund credits to qualifying SIUs for unused capacity if: (1) the SFC payment was made and the current occupant of the property for which the SFC payment was made is an SIU, (2) the SIU is also an owner of the property for which the payment was made, (3) the flow from the property is less than the amount for which SFC payment was made, (4) the SIU can demonstrate that the reduced amount of flow was caused

by the use of water conservation practices, pretreatment of discharge, or use of environmentally responsible practices and (5) the SIU, at the time of submission of the written claim, is not delinquent in payment of any monies owed with respect to sewer, water course and drains charges, including SSCs. The City issued no refund credits for Fiscal Year 2020-21 and, as of December 2021, has no authorized future credits. However, future credits are possible if additional SIUs are granted refund credits.

Wastewater Service Contracts. The City provides wastewater conveyance, treatment, and disposal services to 29 local Entities pursuant to Sewage Disposal Contracts and Universal Terms Contracts executed and in force with each Entity. The capital charge component of Wastewater Service Contracts payments is not treated as Revenue to the SCM Fund and is not available to pay debt service on the Senior Lien Bonds or the Subordinate Bonds, including the Series 2022-C Subordinate Bonds. However, all Sewage Disposal Contracts are subject to renegotiation as described below. See “THE WASTEWATER SYSTEM – Subscribing Agencies” herein.

Historical Sewer Rates and Charges

The following table sets forth the City’s SSC, QSF and SFC from Fiscal Years 2016-17 through 2020-21.

TABLE 10
SEWER CONSTRUCTION AND MAINTENANCE FUND RATES AND CHARGES
Fiscal Years 2016-17 through 2020-21

| Fiscal Year Ended June 30 | Sewer Service Charge⁽¹⁾ | Quality Surcharge Fees⁽²⁾ | | Sewerage Facilities Charge (per 100 gal. avg. flow)⁽³⁾ | Typical Monthly Single Family Residential SSC⁽⁴⁾ |
|--------------------------------------|---------------------------------------------------|-------------------------------------------------|-----------|----------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| | | BOD | SS | | |
| 2017 | \$4.51 | \$0.470 | \$0.472 | \$413.00 | \$34.73 |
| 2018 | 4.80 | 0.500 | 0.503 | 413.00 | 33.60 |
| 2019 ⁽⁵⁾ | 5.11 | 0.533 | 0.536 | 413.00 | 37.81 |
| 2020 ⁽⁵⁾ | 5.44 | 0.567 | 0.571 | 413.00 | 39.41 |
| 2021 ⁽⁵⁾ | 5.80 | 0.604 | 0.608 | 413.00 | 42.34 |

⁽¹⁾ This charge is based on dollars per 100 cubic feet (hcf or hundred cubic feet) of billable wastewater volume. For residential customers, including multiple-family dwellings up to four units, this charge is applied to each customer’s minimum daily average water usage, which is determined during the winter water use period. For commercial customers, including multiple family dwellings of five or more units, this charge is applied to 93% of total metered water usage.

⁽²⁾ The surcharge is based on a rate per pound of biochemical oxygen demand (BOD) or suspended solids (SS) in excess of domestic strength wastewater 265 mg/L BOD and 275 mg/L SS.

⁽³⁾ SFC includes strength charges.

⁽⁴⁾ These figures do not reflect the effects of the low-income assistance program. Amounts based on average billable wastewater volumes of approximately 7.7 hcf per month for Fiscal Year 2016-17, 7.0 hcf per month in Fiscal Year 2017-18, 7.4 hcf per month for Fiscal Year 2018-19, 7.3 hcf per month for Fiscal Year 2019-20 and 7.3 hcf per month for Fiscal Year 2020-21.

⁽⁵⁾ The Typical Monthly Single Family Residential SSC are higher in these years, in part, because the methodology for calculating this figure was updated and is now calculated by dividing the billable wastewater volume for single family residential customers by the total number of service points rather than the number of accounts. A service point is a location where wastewater service is provided. There are more accounts than service points because a service point can have more than one account as customers discontinue and establish service during a year. This results in higher typical charges when the charges are based on service point rather than on accounts.

Source: Bureau of Sanitation

Rate Setting Process

The City is required by the Senior General Resolution to establish rates and charges for the use of the System to produce Net Revenues in each year at least equal to 125% of actual debt service on all Senior Lien Bonds in such year, and by the Subordinate General Resolution to establish rates and charges to produce Net Revenues in each year at least equal to 110% of actual debt service on Senior Lien Bonds and Subordinate Bonds, in such year. The Bureau of Sanitation annually reviews the System's rates and charges as part of the budgetary process. Upon recommendation by the Bureau of Sanitation and City Administrative Officer, the Mayor and City Council may enact rate increases as part of the budgetary process or at any other time, subject to compliance with Proposition 218. See "– Proposition 218" below.

The SSC, the SFC, Industrial Waste Inspection and Control Fees, Bonded Sewer Fees and other miscellaneous fees and charges are established by ordinance adopted by a majority vote of the City Council and approved by the Mayor and become effective after a posting period of 30 days from the date of its publication. The QSF is established by the Board of Public Works and becomes effective after a waiting period of 30 days (absent objection by City Council). The SSC is subject to the notification requirements of Proposition 218, which details the amount and the duration of the proposed rate adjustment. The approval of the City Council is required for the issuance of the Proposition 218 notice. An additional public hearing is held by City Council 45 days following the posting of the Proposition 218 notice, and, with the concurrence of the mayor, the enabling ordinance may be posted. Following a thirty day public review period, the enabling ordinance becomes effective.

The Bureau of Sanitation performs rate evaluations annually. In light of the COVID-19 pandemic and the financial burden imposed on residents and commercial and industrial customers, combined with a consideration of an increase of the solid waste fee (which appears together with SSC's on consolidated customer bills), the City has deferred discussion of future rate adjustments until 2023.

Proposition 218

On November 5, 1996, California voters approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218") that added Articles XIIC and XIID to the California Constitution. Proposition 218 limits the application of property-related fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing. Proposition 218 also extended the initiative power to reducing or repealing local property-related fees and charges, regardless of the date such fees and charges were imposed. Fees and charges for sewer, water and refuse collection services are excepted from the voter approval provisions of Proposition 218 pursuant to Article XIID. Because water and sewer charges are similarly treated under Article XIID, the City believes that the judicial determinations with respect to water charges, as described below, would also apply to sewer charges.

Section 1 of Article XIIC requires majority voter approval for the imposition, extension or increase of general taxes and Section 2 thereof requires two thirds voter approval for the imposition, extension or increase of special taxes. Section 3 of Article XIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power.

"Fees" and "charges" are not expressly defined in Article XIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIC and Article XIID ("SB 919"). However, on July 24, 2006,

the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil (Kelley)* (the “*Bighorn Decision*”) that charges for ongoing water delivery are property-related fees and charges within the meaning of Article XIID and are also fees or charges within the meaning of Section 3 of Article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIC.

In the *Bighorn Decision*, the California Supreme Court did state that nothing in Section 3 of Article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The California Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge. The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to requirements that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after [the effective date of Proposition 218] assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. No assurance can be given that the voters of the City will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the City’s SSC, which are a significant source of Revenues pledged to the payment of debt service on Series 2022-C Subordinate Bonds.

Notwithstanding the fact that the SSC may be subject to reduction or repeal by voter initiative undertaken pursuant to Section 3 of Article XIIC, the City has covenanted to establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System which meet the requirements of the Resolutions and in accordance with applicable law.

Article XIID defines a “fee” or “charge” as any levy other than an *ad valorem* tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “property-related service” is defined as “a public service having a direct relationship to a property ownership.” In the *Bighorn Decision*, the California Supreme Court held that a public water agency’s charges for ongoing water delivery are fees and charges within the meaning of Article XIID. Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Further, pursuant to *Capistrano Taxpayers Association v. City of San Juan Capistrano*, tiered rates charged to different classes of customers must be calculated based on the actual costs of providing the service. In *Capistrano Taxpayers Association*, the Court of Appeal held that Proposition 218 requires public water agencies to calculate the actual costs of providing water at various levels of usage and that Article XIID, section 6, subdivision (b)(3) of the California Constitution, as interpreted by the California Supreme Court in the *Bighorn Decision* provides that water rates must reflect the “cost of service attributable” to a given parcel. The Court of Appeal further stated that “[w]hile tiered, or inclined rates that go up progressively in relation to usage are perfectly consonant with [A]rticle XIID, section 6, subdivision (b)(3) and Bighorn, the tiers must still correspond to the actual cost of providing service at a given level of usage.”

The City believes that current sewer fees and charges that are subject to Proposition 218 comply with the provisions thereof and that the City will continue to comply with the rate covenant set forth in the Resolutions in conformity with the provisions of Article XIID of the California State Constitution. The City also believes that its sewer connection charges, Industrial Wastewater Permit Application Fees, Inspection and Control Fees and Sewerage Facilities Charges are not subject to the requirements of Article XIID. Should it become necessary to increase the sewer fees and charges above current levels, the City would be required to comply with the requirements of Article XIID in connection with such proposed increase. No assurance can be given that the voters of the City will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the City’s fees and charges related to the System. The City’s sewer rates and charges may be subject to litigation from time to time under Proposition 218, and is currently defending one such challenge in *Hoffman v. City*. See “LITIGATION – Certain Claims Against the SCM Fund” herein.

Implementing legislation pertaining to Proposition 218 may be introduced in the State legislature from time to time. Moreover, Proposition 218 was adopted as a measure that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted to modify Proposition 218. No assurance may be given as to the terms of such legislation or initiatives or their potential impact on the various fees and charges that constitute Revenues of the System, however, there could be a material negative impact on the City’s ability to collect such Revenues.

On November 2, 2010, voters of the State approved Proposition 26 (“Proposition 26”), which amended Article XIIC of the State Constitution to expand the definition of a “tax” so that certain fees and charges imposed by governmental entities are subject to approval by two-thirds of each house of the State Legislature or approval by local voters, as applicable. Proposition 26 lists several exceptions to such definition of “tax”, including property-related fees imposed in accordance with Article XIID (Proposition 218), reasonable regulatory costs of performing investigations and inspections, and charges imposed as a condition of property development. The City believes that Proposition 26 does not apply to any of the user fees imposed by the City because such fees are within various exceptions to Proposition 26.

Water Usage and Wastewater Volume

General. Usage of the System is correlated to the amount of water consumed within its service area. Within the boundaries of the System’s service area, all water is provided by LADWP. The ability of LADWP to operate effectively is affected by the water supply for the City. LADWP’s Los Angeles Aqueduct supply deliveries have, over the years, been reduced to fulfill environmental restoration commitments in the Mono Basin and Owens Valley. As a result, LADWP has increased its purchase of water from The Metropolitan Water District of Southern California (“MWD”), a wholesale water supplier for the Southern California region. LADWP is working with MWD to develop supply reliability for the City and all of MWD’s service area. The adequacy of MWD’s overall future supply reliability is dependent upon maintaining the supply of water available to MWD from the Colorado River and northern

California through the State Water Project's California Aqueduct operated by the State of California Department of Water Resources ("DWR"), and various projects relating to water conservation, recycled water, conjunctive use, water transfers and exchanges, groundwater recovery and seawater desalination.

The adequacy of LADWP's water supply is affected by many factors, including but not limited to annual snowpack and rainfall, population growth, water use, groundwater basin quality and recharge trends, federal and State environmental rules and regulations, environmental restoration commitments, water quality, climate change, and area of origin issues. Sustained drought conditions or low water levels could adversely affect LADWP's water supply, water rates and demand for water services. Additionally, any natural disaster or other physical calamity, including acts of terrorism, earthquake, earth movements, floods, extreme weather or gradual climate change, may have the effect of reducing water availability, quality and/or distribution capabilities of LADWP, impair the financial stability of LADWP, affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such private improvements thus affecting revenues of LADWP through damage to its water system and to the economy of the surrounding area. See "RISK FACTORS – Potential Impact of Drought and Other Risks Relating to the Water Supply" herein.

In recent years the State has experienced serious drought conditions. On January 17, 2014, Governor Edmund G. Brown, Jr. declared a drought state of emergency, asked residents to reduce their water consumption by 20% and directed State agencies to take certain actions to ameliorate the shortage of water. On May 9, 2016, as a result of persistent severe drought conditions in many areas of the State, Governor Brown issued an executive order (the "2016 Executive Order") that, among other things, made permanent many of the temporary conservation measures set forth in the Governor's previous executive orders relating to the drought conditions. On April 7, 2017, as a result of the record rain and snowfall that have occurred in the State between November 2016 and March 2017, Governor Brown declared an end to the drought emergency in California (except with respect to four counties mostly located in the State's agricultural Central Valley). However, the conservation measures put in place by the 2016 Executive Order during the drought are expected to continue.

On October 14, 2014, Los Angeles Mayor Eric Garcetti issued Executive Directive No. 5 setting a goal of reducing per-capita water use by 20% in the City, directing City departments to take certain actions to meet the goal, and asking City residents to take certain voluntary actions. At this time, the City's drought control efforts are expected to continue regardless of whether a drought is ongoing in California.

Beginning in early 2021, the State again began suffering from another drought. The 2021 Water Year (October 2020 through September 2021) was the second driest water year on record. On October 19, 2021, Governor Newsom declared a drought emergency for the entire State. [In response to the current drought, the Governor, the State Water Resources Control Board and cities and water agencies throughout the State (including the City and DWO) could again mandate or adopt various emergency water conservation measures.] **[UPDATE PRIOR TO POS POSTING]**

Wastewater flow contributed by the City's customers was reduced by 6.5% from fiscal year 2014-15 to 2015-16. The reduction of wastewater flow due to indoor water conservation continued in the subsequent two years, but at a reduced rate averaging 1.4% per year. Wastewater flow in the following two years leveled off. Future wastewater flow will be affected by water conservation (although future conservation is assumed to not achieve the same levels of reductions in use that were achieved in fiscal years 2014-15 and 2015-16), but will also be impacted by population growth in the City. In aggregate, it is assumed that the wastewater volume contributed by the City's customers will continue to decrease at net rate of 0.44% per year from Fiscal Year 2021-22 through Fiscal Year 2023-24 due to water conservation efforts. No assurance can be provided that the current drought conditions will not be

prolonged, that the State’s emergency declaration will not be extended to include the City, that mandatory conservation measures will not be imposed on the City, or that the City’s population will not decrease. See “RISK FACTORS - Potential Impact of Drought and Other Risks Relating to the Water Supply” herein.

City Water Supply Plan. The Urban Water Management Plan (UWMP), updated every five years, is the City's plan for water supply and guides the decision-making process to secure a reliable water supply for the City. In addition to, and building on the UWMP and other efforts, the City recently completed the UWMP which is a collaborative approach to integrated water management and aims to further the many opportunities that exist to integrate efforts and programs. The UWMP provides a comprehensive strategy consisting of new project, program and policy opportunities to manage water in a more integrated, collaborative, and sustainable manner. Both plans support the overall City goals for 50% reduction of purchased imported water by 2025, and 50% local water supply by 2035. The 2020 UWMP update, builds upon the goals and progress made in the 2015 UWMP and complies with the new state reporting requirements adding a water shortage contingency plan and the updated city goals to recycle 100% of wastewater by 2035 and increase local water supply. The 2020 UWMP was adopted by the Board of Water and Power Commissioners on May 25, 2021 and was submitted to the California Department of Water Resources on June 23, 2021.

The following table sets forth the number of wastewater system service points that were billed and the billable wastewater volume subject to SSC during the past five fiscal years. A service point is a location where wastewater service is provided. There are more accounts than service points because a service point can have more than one account as customers discontinue and establish service during a year. In addition, there can be multiple service points per account, such as a college campus.

In Fiscal Years 2019-20 and 2020-21, the System experienced some reduction in business and government volumes and increases to large multifamily and small multifamily volumes as a result of the Governor’s stay-at-home orders implemented in March 2020 in response to the COVID-19 pandemic.

TABLE 11
WASTEWATER SYSTEM SERVICE POINTS AND
BILLABLE WASTEWATER VOLUME

| <u>Customer Class</u> | Number of Service Points | | | | |
|------------------------------|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Fiscal Year Ended June 30 | | | | |
| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
| Single Family | 479,069 | 491,229 | 491,145 | 487,605 | 490,384 |
| Small Multifamily | 70,128 | 70,408 | 70,320 | 70,073 | 70,494 |
| Large Multifamily | 40,280 | 40,982 | 40,758 | 40,656 | 40,623 |
| Commercial/Industrial | 52,099 | 53,413 | 52,185 | 51,907 | 51,519 |
| All Others | <u>3,964</u> | <u>3,958</u> | <u>3,961</u> | <u>3,891</u> | <u>3,869</u> |
| Total Customers | 645,540 | 659,990 | 658,369 | 654,132 | 656,889 |

| <u>Customer Class</u> | Billable Wastewater Volume⁽¹⁾ | | | | |
|-------------------------------------------------|-------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Fiscal Year Ended June 30 | | | | |
| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
| Single Family ⁽²⁾ | 44,070 | 40,440 | 43,606 | 42,827 | 43,392 |
| Small Multifamily ⁽²⁾ | 11,558 | 11,955 | 10,958 | 12,234 | 11,339 |
| Large Multifamily ⁽³⁾ | 38,879 | 39,592 | 39,478 | 40,061 | 41,489 |
| Commercial/Industrial ⁽³⁾ | 30,319 | 31,037 | 30,603 | 28,757 | 26,434 |
| All Others | <u>6,128</u> | <u>6,059</u> | <u>5,827</u> | <u>5,508</u> | <u>6,469</u> |
| Total Billable Wastewater Volume ⁽⁴⁾ | 130,954 | 129,083 | 130,472 | 129,388 | 129,122 |

⁽¹⁾ In thousands of hcf (hundred cubic feet).

⁽²⁾ Billable wastewater volume for single family and multi-family dwellings of up to four units are based on each residential customer's minimum average daily water consumption during the winter water use, further reduced by a dry weather compensation factor.

⁽³⁾ Billable wastewater volume for large multifamily, commercial industrial and other customers is generally equal to 93% of total water sales volume. All customers who can demonstrate that the billable wastewater volume is less than 74% of annual water sales are billed at the lower estimate.

⁽⁴⁾ Totals may not equal the sum of components due to individual rounding.

Source: Bureau of Sanitation

For purposes of these projections, the City has assumed a decrease in billable wastewater volume of approximately 5.25% in Fiscal Year 2021-22 due to the continued impacts of the COVID-19 pandemic, including a gradual return of workers to non-remote work and the permanent or prolonged closure of some commercial and industrial customers. The following table sets forth the projected number of service points and billable wastewater volume subject to SSC for Fiscal Years 2021-22 through 2025-26.

TABLE 12
PROJECTED WASTEWATER SYSTEM SERVICE POINTS AND
BILLABLE WASTEWATER VOLUME

| Customer Class | Number of Service Points | | | | |
|-----------------------|----------------------------------|-------------|-------------|-------------|-------------|
| | Fiscal Year Ended June 30 | | | | |
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| Single Family | 490,874 | 491,365 | 491,857 | 492,348 | 492,841 |
| Small Multifamily | 70,564 | 70,635 | 70,706 | 70,776 | 70,847 |
| Large Multifamily | 40,664 | 40,704 | 40,745 | 40,786 | 40,827 |
| Commercial/Industrial | 51,571 | 51,622 | 51,674 | 51,725 | 51,777 |
| All Others | 3,873 | 3,877 | 3,881 | 3,884 | 3,888 |
| Total Customers | 657,546 | 658,203 | 658,862 | 659,520 | 660,180 |

| Customer Class | Billable Wastewater Volume⁽¹⁾⁽²⁾ | | | | |
|-------------------------------------------------|----------------------------------------------------|-------------|-------------|-------------|-------------|
| | Fiscal Year Ended June 30 | | | | |
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| Single Family ⁽³⁾ | 42,326 | 42,140 | 41,954 | 41,996 | 42,038 |
| Small Multifamily ⁽³⁾ | 10,523 | 10,477 | 10,431 | 10,441 | 10,452 |
| Large Multifamily ⁽⁴⁾ | 37,942 | 37,775 | 37,609 | 37,646 | 37,684 |
| Commercial/Industrial ⁽⁴⁾ | 25,614 | 25,501 | 25,389 | 25,414 | 25,439 |
| All Others ⁽⁴⁾ | 6,278 | 6,250 | 6,223 | 6,229 | 6,235 |
| Total Billable Wastewater Volume ⁽⁵⁾ | 122,683 | 122,143 | 121,605 | 121,726 | 121,848 |

⁽¹⁾ In thousands of hcf (hundred cubic feet).

⁽²⁾ Assumes billable wastewater volume will decrease by approximately 5.25% in Fiscal Year 2021-22 due to continued impacts related to the COVID-19 pandemic, and will continue to decline by net rate of 0.44% per year due to water conservation efforts from Fiscal Year 2021-22 through Fiscal Year 2023-24, with no further projected volume reduction starting Fiscal Year 2024-25.

⁽³⁾ Billable wastewater volume for single family and multifamily dwellings of up to four units are based on each residential customer's minimum average daily water consumption during the winter water use period, as adjusted by a dry weather compensation factor.

⁽⁴⁾ Billable wastewater volume for Large Multifamily and Commercial/Industrial is generally equal to 93% of total annual water sales volume, subject to adjustment in connection with LADWP water conservation policy changes. See "– Sewer Rates and Revenues" for a description of adjustments to the default percentage discharge for commercial customers. All customers who can demonstrate that their billable wastewater volume is less than 74% of annual water sales are billed at the lower estimate.

⁽⁵⁾ Totals may not equal sum of components due to individual rounding.]

Source: Bureau of Sanitation

Billing and Collection

Sewer Service Charge. Billing and collection services for the SSC are provided by LADWP. With some limited exceptions, LADWP currently bills residential customers on a bimonthly basis and

commercial and industrial customers on a monthly basis. LADWP prepares bills covering water and electric charges and non-LADWP charges (such as sewer services, solid resources fee and State and local taxes).

Payments are posted in the following order: overdue receivables, customer deposits, water charges, electric charges, State and local taxes, sewer service charges, solid resources fees and bulky item fees. LADWP transfers funds to the SCM Fund on a weekly basis based on expected SSC revenues. The last payment of the month is adjusted for the actual revenues received for the prior month. A monthly billing and collection fee of \$248,400 is also subtracted from one of the weekly payments.

If a customer pays less than the amount billed for a billing period, then the payment is credited to the various utility services in the order set forth in the preceding paragraph. Payments received for the next billing period are credited first to the services in arrears, in the following order: (1) any required deposits, (2) water and electric charges, which are credited proportionally, and (3) the SSC, solid resources fee and bulky item fee, which are also credited proportionally. Remaining payments are then credited to the current services in the order set forth in the preceding paragraph. This procedure in effect brings any customer's delinquent sewer service charges current, prior to applying payments against current charges, including water and electric.

In response to the COVID-19 outbreak, LADWP has implemented a number of temporary measures intended to mitigate operational and financial impacts, and to assist its customers, including: (i) LADWP is widely promoting its existing payment plans and is working on additional extended payment options; and (ii) LADWP has deferred disconnections of water and power services for non-payment during the COVID-19 pandemic. The measures taken by LADWP to date, and additional measures that may be taken in the future, may lead to the increase of uncollected accounts and the decrease of timely payments from its customers. LADWP will resume normal billing and collection processes after the disconnection moratorium expires. In October 2021, the moratorium was extended through March 31, 2022. See "IMPACT OF THE COVID-19 PANDEMIC" for a discussion on the impact of COVID-19 on the City and operations of the System.

Certain LADWP customers receive water and electric service by means of a master meter which may serve multiple dwelling units. Water and electrical service to multiple dwelling unit residences served by a master meter may be disconnected for non-payment. In February 1998, LADWP implemented the Utility Maintenance Program as an alternative to the termination of master-metered service. This program is an extension of the existing Rent Escrow Accounts Program. Tenants who participate in the program have the option of putting their rent into an escrow trust fund established by the Los Angeles Housing Department to maintain utility services until such time as the delinquent bill is paid in full.

Litigation Related to Billing. In September 2013, LADWP launched a new customer information and billing system, designed and implemented by PricewaterhouseCoopers LLP. Immediately following the launch of the new billing system, LADWP experienced numerous billing issues in connection with the new system.

Billing Class Actions: As a result of the problems with the new customer information and billing system, several class action lawsuits were filed against LADWP by ratepayers claiming damages due to certain billing issues. LADWP has reached a settlement in certain of those lawsuits (collectively, the "Settled Billing Class Actions"). On July 20, 2017, the Court granted final approval of the settlement of the Settled Billing Class Actions. LADWP is currently implementing the settlement. The settlement provides for, among other things: (1) a review by LADWP of all customer accounts for accuracy from September 2013 to December 30, 2016; (2) LADWP making whole any customer who was overcharged, regardless of how small the error, resulting from the failed implementation of the customer information

and billing system; (3) LADWP setting benchmarks and key performance indicators to improve its customer service (an independent monitor reviewed the progress made and reported to the Court every three months through October 2020, at which time his work was completed); and (4) LADWP adopting an amendment to its “Rules Governing Water and Electric Service,” which generally reduced the number of months that “back-billing” (defined as the submission of a bill by LADWP to an accountholder that includes more than one billing cycle where the prior billing statements had not been previously billed to the accountholder) can occur to no more than six months for residential and commercial customers who meet certain characteristics.

As of [October 2021], LADWP had issued refunds of [\$107] million, of which [\$13.2] million was refunded from the LADWP Water System, [\$66.5] million was refunded from the Power System, and [\$27.3] million was related to non-LADWP charges, including City services such as refuse as well as taxes such as utility users’ tax and state energy surcharges. City services include an estimated \$6.6 million of sewer services.

As of [October 2021], LADWP had completed the majority of the credits and refunds for accounts associated with the settlement. Accounts remaining to be resolved include those that have been appealed to a court-appointed, independent special master and those that class counsel contends may be entitled to credits or refunds. LADWP has ongoing obligations to comply with its “Rules Governing Water and Electric Service,” which may result in additional credits being applied. LADWP has provided credits and refunds to affected customers relating to the amendment through [October 2021] of approximately [\$39.5] million, of which approximately [\$3.4] million was allocated to the System.] **[Update prior to POS posting with December 31 numbers]**

LADWP also implemented operational changes that will allow consistent compliance with the benchmarks and key performance indicators identified in the settlement.

Additionally, new class counsel Brian Kabateck hired his own utility expert, Concentric Utility Advisors (“Concentric”), to review the actions taken pursuant to the settlement. In Phase I of its review, Concentric reviewed 16 months of billing data and concluded that, with the exception of a small number of manual errors, the terms of the settlement related to incorrect billing had been reasonably met and there were no identified “remaining systemic electric billing issues, and no significant issues (manual or systemic) associated with water, sewer, or refuse” in the accounts reviewed. Concentric is in the process of its Phase II review of the remaining settlement classes.

The City is in the process of finalizing the settlement and all related actions in connection with the Settled Billing Class Actions.

There are two remaining class action lawsuits, *Morski v. City of Los Angeles* by, and through, the Los Angeles Department of Water & Power (the “Morski Action”), and *Macias, et al. v. City of Los Angeles* by, and through, the Los Angeles Department of Water and Power (the “Macias Action”). These cases allege violations beyond the problems associated with the billing system. The *Morski Action* generally alleges that LADWP’s practice of tiered billing violates applicable City ordinances insofar as LADWP bases such tiered billing on anything other than regular actual monthly meter reads (“Non-Monthly Tiered Billing”). The *Macias Action* includes the Non-Monthly Tiered Billing claims, and also alleges (1) “backbilling claims,” (2) “corrected backbilling” and (3) that LADWP violated California’s Bane Act by threatening customers with termination of their utility services based on erroneous charges. Finally, the *Macias Action* broadly alleges claims that overlap with those settled in the Settled Billing Class Actions. Although the City is not able to estimate the potential financial exposure to the City due to these cases, the City does not anticipate that these cases would result in substantial financial exposure to the SCM Fund.

Federal Lawsuits Arising From The Billing Class Actions: The City was sued in two class action lawsuits, *Bradshaw v. City of Los Angeles*, et al. and *Jones v. City of Los Angeles*, et al., Case No. 2:20-cv-11502, arising out of alleged issues associated with the settlement of the Billing Class Actions, including implicating potential collusion between former special counsel for the City and former class counsel in *Jones v. City of Los Angeles*, Los Angeles Superior Court Case No. BC577267, one of the Settled Billing Class Actions. These cases are at a stage where it is not possible for the City to estimate the potential financial exposure to the City, but the City does not anticipate a material adverse impact to the SCM Fund resulting therefrom.

Federal Investigation. Federal investigators are currently conducting an investigation of LADWP. LADWP is cooperating fully with the investigators in connection with their investigation. LADWP has been requested by the investigating agency to exercise confidentiality with respect to the investigation. LADWP can generally state that the search warrants served by the Federal Bureau of Investigation on LADWP and the Office of the City Attorney in July 2019 relate to issues that have arisen over the class action litigation and settlement regarding LADWP's billing system.

On November 29, 2021, as a result of this investigation, the United States Attorney filed an Information and a Plea Agreement in the matter entitled *United States of America v. Paul O. Paradis*, Case No. 2:21-cr-00540-SB. Paradis, who was former special counsel to the City in the matter entitled *City of Los Angeles v. PricewaterhouseCoopers*, admitted to, among other things, receiving a \$2.2 million "kick-back" payment from former class counsel in the Settled Billing Class Actions. The charging documents also allege that (1) Paradis obtained a \$30 million contract with LADWP for his company Aventador through bribing two then-unnamed LADWP officials (a former General Manager and former Board member), and (2) some unnamed City personnel were aware of and participated in the alleged collusion related to the settlement of the Settled Billing Class Actions. The City denies it had any such knowledge of collusion. The investigation is ongoing and additional charging documents may be filed against other individuals. [As of December 14, 2021, three individuals have pled guilty to bribery, making false statements, and other crimes in connection with the federal investigation: Paul O. Paradis (former Special counsel for the City); David Wright (former General Manager of LADWP); and David Alexander (former head of IT Security for LADWP).] **[TO BE UPDATED PRIOR TO POS POSTING]**

Based on the City's understanding of the nature of the investigation, the City does not anticipate that such investigation would have any material adverse impact on the SCM Fund.

SSC Revenues. LADWP is the billing agent of the SCM Fund for its SSC revenues. As such, LADWP maintains the records of all SSC accounts receivable, both collectible and uncollectible. Included in these records are the SCM Fund uncollectable SSC receivables arising from the transition to the new billing system, but are waiting to be written off until resolution of the settled lawsuits.

The total SSC accounts receivable were \$112.9 million as of June 30, 2020 and \$155.2 million as of June 30, 2021.

The Fiscal Year 2019-20 revenue of \$660 million was a 6.0% increase from 2018-19. The Fiscal Year 2020-21 revenue of \$668.4 million was a 1.2% increase from 2019-20. The revenue increase is lower than the 6.5% budgeted annual rate increase due to the economic consequences of COVID-19. SSC revenue projections assume a decrease in wastewater volume of approximately 5.25% in Fiscal Year 2021-22 due to continued impacts related to the COVID-19 pandemic, and continued net declines due to water conservation efforts of 0.44% annually from Fiscal Year 2021-22 through Fiscal Year 2023-24, with no further projected volume reduction starting Fiscal Year 2024-25. The Bureau of Sanitation continues to work with LADWP to refine projections of the impact of water conservation on the SSC revenues.

Certain information regarding SSC Account Receivable for Fiscal Years 2016-17 through 2020-21 is provided in Table 1. The following table sets forth the SSC budgeted, billed, and collected amounts for Fiscal Years 2016-17 through 2020-21:

TABLE 13
SSC REVENUE
BUDGET, BILLINGS, AND REMITTANCE
Fiscal Year Ended June 30
(in thousands)

| Fiscal Year | Budgeted | Billed | Remitted | Billed as a Percent of Budget | Remitted as a Percent of Billed⁽¹⁾ |
|---------------------|------------------------|------------------------|------------------------|------------------------------------------|----------------------------------------------------------|
| 2017 ⁽²⁾ | \$532,395 | \$565,789 | \$555,309 | 106.3% | 98.1% |
| 2018 | 561,010 | 594,365 | 589,046 | 105.9 | 99.1 |
| 2019 | 626,791 | 640,189 | 622,973 | 102.1 | 97.3 |
| 2020 | 665,533 | 675,639 | 660,495 | 101.5 | 97.8 |
| 2021 | 709,501 ⁽³⁾ | 718,921 ⁽³⁾ | 668,421 ⁽³⁾ | 101.3 | 93.0 |

⁽¹⁾ LADWP's remittance rate of SSC revenue varies from year to year and may exceed 100% because of differences in average time taken by customers to pay their bills and differences in the estimation used to calculate expected revenue versus actual revenue.

⁽²⁾ LADWP previously halted their collection process once it was determined that there were significant programming issues in their new billing system. Remittances in Fiscal Year 2016-17 reflect collection of prior years' accounts receivable due to resumption of LADWP's collections measures consistent with their stated collections policies.

⁽³⁾ In response to the COVID-19 pandemic, LADWP implemented a number of temporary measures to assist its customers, including a moratorium on disconnection due to nonpayment. LADWP will resume normal billing and collection processes after the disconnection moratorium expires. The disconnection moratorium is assumed to be in effect through March 2022. The budget for Fiscal Year 2020-21 was not adjusted to reflect the impact of the disconnection moratorium.

Source: Bureau of Sanitation

Sewerage Facilities Charge. The SFC is collected along with Bonded Sewer Fees and Tapping Fees as part of the building permit and sewer connection permit application procedures. Permits are not granted until the SFC payment has been received. The SFC, Bonded Sewer Fees, and Tapping Fees are deposited by the Department of Public Works directly into the SCM Fund as received by the City.

Industrial Waste Charges. Billings for QSF, Inspection and Control Fees and SIU Fees are prepared by the Bureau of Sanitation, Industrial Waste Management Division. All customers are billed quarterly in arrears except for dental offices that are billed annually in advance. Payments are remitted to the Department of Public Works and deposited directly into the SCM Fund. All fees that are not paid by the end of the month in which they are due become delinquent and a delinquency charge of 2.5% (minimum \$10) of the principal balance owed is added to the amount due. The delinquent dates are February 1, May 1, August 1 and November 1. Delinquent accounts are referred to a collection agency or to the Office of Finance for collection activities within 45 days of the delinquent date.

TABLE 14
INDUSTRIAL WASTE CHARGES (QSF, INSPECTION AND CONTROL FEES, SIU FEES)
BUDGET, BILLINGS, AND REMITTANCE
Fiscal Year Ended June 30
(in thousands)

| Fiscal Year | Budgeted | Billed | Remitted | Remitted as a Percent of Budget | Remitted as a Percent of Billed⁽¹⁾ |
|--------------------|-----------------|---------------|-----------------|--------------------------------------------|----------------------------------------------------------|
| 2017 | \$19,900 | \$17,711 | \$19,607 | 98.5% | 110.7% |
| 2018 | 19,144 | 17,097 | 17,221 | 90.0 | 107.7 |
| 2019 | 20,685 | 18,485 | 18,632 | 90.1 | 100.8 |
| 2020 | 18,600 | 20,499 | 20,185 | 108.5 | 98.5 |
| 2021 | 20,885 | 19,457 | 19,873 | 94.5 | 101.4 |

⁽¹⁾ Remitted as Percent Billed may be over 100% because the amount remitted may be higher due to payment adjustments, penalty payments, etc.

Source: Bureau of Sanitation

Wastewater Service Contract Charges. Billings under the Universal Terms Contracts and the older Sewage Disposal Contracts are prepared annually by the Department of Public Works according to the contractual obligation of each Agency or Entity (as described in “THE WASTEWATER SYSTEM – Subscribing Agencies” herein) to pay its contractual share of operation and maintenance (“O&M”) expenses and capital costs of the System. Allocations of O&M expenses and capital costs are prepared by the Bureau of Sanitation. Under contractual provisions, O&M and capital bills for those Agencies with Universal Terms Contracts are payable bimonthly during the year in which they receive service, with a later reconciled bill to adjust for actual costs. For other Entities, O&M and capital bills are payable in arrears. Some of the Sewage Disposal Contracts do not specify the timing of capital bills and, in nearly all such cases, they are billed semi-annually in arrears.

The City has certain billed accounts receivable with respect to these charges. The Universal Terms Contracts between the City and most Agencies allow the City to collect late payment charges. Late payment charges are not authorized under the older contracts, which provide less than 1% of the total billings to the Agencies and other Entities. If payment is not made by the contractual due date, overdue notices are sent and telephone contact made to determine why payment was not made. The City has not terminated service when an Entity failed to pay these charges because of the essential nature of the service provided to the Entities by the System. In those cases where late payments do occur, the City has imposed late charges sufficient to offset any lost revenues as a result of such delinquencies.

Disagreements over flow and strength monitoring of the City of Burbank’s wastewater are being addressed with the joint hiring of a consultant to investigate the differences. Because Burbank indicated that not all of its comments were addressed to its satisfaction, the City and Burbank have met on numerous occasions to discuss their differences. Negotiations resulted in Burbank submitting a partial payment of \$12,449,566 in Fiscal Year 2018-19, representing a portion of the disputed amount for service in Fiscal Year 2009-10 to 2018-19, \$8,717,828 in Fiscal Year 2019-20 and \$2,301,089 in Fiscal Year 2020-21. The remaining unpaid balances and estimated billings total approximately \$18.1 million. Burbank has indicated that it will continue to pay the City based on its calculation of the flow and strength of its wastewater discharged to the System. The City continues work with Burbank to resolve the remaining disputed amount, which will include additional monitoring of wastewater from the City and Burbank. At this time, the City does not have sufficient data to determine when the issue will be resolved or the longer-term impact to the SCM Fund.

The City of Glendale and the City are partners in the Los Angeles-Glendale Water Reclamation Plant (LAGWRP) and, though the City operates the plant, each is responsible to pay half the cost of capital projects at the plant, pursuant to two cost-sharing agreements between the two cities. Glendale has objected to paying half of the estimated cost increases for nine projects. The construction costs have increased from the \$43.1 million provided in January 2018 to \$133.89 million as of December 2021. The agreement requires that Glendale approve of capital expenditures proposed by City or they may decline to pay their share. The cities are currently negotiating the cost sharing.

Labor and Employment

Several City departments and bureaus contribute labor and employee time to the operation of the System. See “ORGANIZATION AND MANAGEMENT OF THE SYSTEM” herein. The primary labor and employment budget for the System is that of the Bureau of Sanitation, whose authorized workforce is as shown in the following table:

TABLE 15
BUREAU OF SANITATION AUTHORIZED POSITIONS⁽¹⁾

| Fiscal Year Ending June 30 | Authorized Number of Positions⁽¹⁾⁽²⁾ |
|---------------------------------------|------------------------------------------------------------|
| 2018 | 1,387 |
| 2019 | 1,396 |
| 2020 | 1,404 |
| 2021 | 1,412 |
| 2022 | 1,416 |

⁽¹⁾ As authorized in the Adopted Budget. Represents permanent (“regular”) positions, funded by the SCM Fund, and excludes temporary personnel (also referred to as “resolution authority positions”).

⁽²⁾ Consistent with the numbers reflected for Fiscal Years 2020-21 and 2021-22, the numbers were restated for Fiscal Years 2017-18 through 2019-20 include positions assigned to the Clean Water Program and other budgetary programs within the Bureau of Sanitation, but which support the System and are funded by the SCM Fund.

Source: Office of the City Administrative Officer

Bureau of Sanitation’s workforce is 99% unionized under a number of separate labor organizations that collectively refer to themselves as the Coalition of Los Angeles City Unions as well as the non-coalition Engineers and Architects Association. The City has memoranda of understanding that are effective through either Fiscal Year 2022-23 or 2023-24 with all unions that are part of Bureau of Sanitation. The System has not experienced any work stoppage over the past five years and does not currently anticipate any work stoppage. See APPENDIX A – “CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES– Budget and Financial Operations – Labor Relations” attached hereto.

Retirement and Other Postemployment Benefits Contributions

The City’s annual required contribution to the Los Angeles City Employee’s Retirement System (“LACERS”) includes amounts related to the retirement benefits and other postemployment healthcare benefits (“OPEB”) of City employees who work on the System, which are attributable to the SCM Fund. See APPENDIX A – “CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES – Budget and Financial Operations – Labor Relations” attached hereto. Such System-related expenses are first paid from the City’s General Fund and subsequently reimbursed from the SCM Fund through application of a Cost Allocation Plan (“CAP”), which is subject to approval each year by the Federal

government in connection with on-going grant compliance procedures. The CAP is based on historical data from the prior two years. Annual OPEB amounts attributable to the SCM Fund are included in the retirement calculations for the CAP rates applicable to the System.

The System's percentage share of such costs may increase or decrease from year to year depending on, among other things, the number of covered employees attributable to the SCM Fund, the overall number of City employees and the retirement benefits accruing to the respective employees. The following table sets forth retirement and OPEB contributions from the SCM Fund for Fiscal Years 2017-18 through 2021-22.

TABLE 16
SEWER CONSTRUCTION AND MAINTENANCE FUND
RETIREMENT AND OPEB CONTRIBUTIONS
(\$ in thousands)

| Fiscal Year Ended June 30 | Total City Contribution⁽¹⁾ | Wastewater System Contribution⁽²⁾ | Wastewater System Percentage |
|--------------------------------------|--------------------------------------------------|---------------------------------------------------------|-----------------------------------------|
| 2018 | \$450,806 | \$33,277 | 7.38% |
| 2019 | 488,400 | 35,833 | 7.34 |
| 2020 | 559,299 | 37,516 | 6.71 |
| 2021 | 532,833 | 56,216 | 10.55 |
| 2022 | 601,450 | 56,869 | 9.46 |

⁽¹⁾ Total City Contributions are for departments are made to the Los Angeles City Employees' Retirement System and controlled by City Council.

⁽²⁾ Wastewater System Contribution, for budget purposes, is based on the City's Cost Allocation Plan, which is subject to approval each year by the Federal government in connection with on-going grant compliance procedures and which is based on actual historical data that lags by two years and is reconciled by an adjustment factor. For Fiscal Years 2017-18, 2018-19, and 2019-20, the Wastewater System Contribution excludes retirement and OPEB contributions for labor supporting the System that is budgeted in other City departments. Beginning in Fiscal Year 2020-21, the Wastewater System Contribution includes funding for positions budgeted in the Bureau of Sanitation and other City departments that support the System.

Source: Office of the City Administrative Officer

The City is generally projecting increases to the amount it will contribute to LACERS over the next three years. See APPENDIX A – "CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES – Budget and Financial Operations – Los Angeles City Employees' Retirement System ("LACERS")" attached hereto for a description of the City's historical and current projected pension and OPEB contributions. The System's projected share of the City's projected contributions to LACERS are included in the pro forma statement of financial operations included herein.

The City's current retirement contribution projections, as set forth in Appendix A, are based on, among other things, information provided by LACERS' actuary and LACERS' current actuarial assumptions, which are based on the results of LACERS' most recent triennial experience study. Actual retirement and OPEB costs attributable to the SCM Fund may be more or less than and may vary materially from the amounts included in the projections for the System. The System has experienced similar fluctuations in expenditures in the past and will make adjustments to revenues and expenditures as necessary to address any such changes in expenditures. There can be no assurance that the retirement and OPEB costs attributable to the SCM Fund will not materially increase.

Cash Receipts and Disbursements

The following table sets forth unaudited cash receipts and disbursements of the SCM Fund for Fiscal Years 2016-17 through 2020-21. Amounts in Table 17 are presented on a cash basis and differ from amounts in the Debt Service Compliance Report for the Fiscal Year ended June 30, 2021 (with Independent Auditor's Report Thereon) which were prepared on an accrual basis. See Appendix E hereto.

TABLE 17
SEWER CONSTRUCTION AND MAINTENANCE FUND
SUMMARY OF OPERATIONS AND DEBT SERVICE COVERAGE
Cash Basis (Unaudited) (in thousands)
Fiscal Year Ended June 30

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------------------------------|------------------|------------------|------------------|------------------|------------------------|
| OPERATING RECEIPTS | | | | | |
| Sewer Service Charge | \$555,309 | \$589,046 | \$622,973 | \$660,495 | \$668,421 |
| Sewerage Facilities Charge | 18,640 | 16,468 | 15,322 | 16,082 | 14,603 |
| Industrial Waste Fees ⁽¹⁾ | 19,607 | 17,221 | 18,632 | 20,185 | 19,739 |
| Wastewater Service Contracts ⁽²⁾ | 24,303 | 19,975 | 33,388 | 26,608 | 29,461 |
| Interest Income ⁽³⁾ | 3,737 | 4,700 | 6,179 | 5,000 | 1,671 |
| Other | 3,066 | 4,275 | 3,217 | 3,127 | 3,086 |
| Total Operating Receipts | \$624,662 | \$651,685 | \$699,711 | \$731,497 | \$736,981 |
| Non-Operating Revenues ⁽⁴⁾ | 14,321 | 33,998 | 26,645 | 10,894 | 32,262 |
| TOTAL REVENUES | \$638,983 | \$685,683 | \$726,356 | \$742,391 | \$769,243 |
| Less: Operating Expenses ⁽⁵⁾ | 288,730 | 308,191 | 345,127 | 387,204 | 318,674 ⁽⁶⁾ |
| NET REVENUES | \$350,253 | \$377,492 | \$381,229 | \$355,187 | \$450,569 |
| DEBT SERVICE | | | | | |
| Senior Debt Service | \$85,573 | \$78,707 | \$54,974 | \$58,806 | \$73,634 |
| Subordinate Debt Service | | | | | |
| Wastewater System Commercial Paper Notes | — | — | 143 | — | — |
| Variable and Fixed Rate Subordinate Bonds | 106,329 | 127,700 | 153,754 | 159,205 | 136,667 |
| SRF Clean Water Loan | 13,605 | 13,605 | 13,605 | 13,605 | 13,605 |
| TOTAL DEBT SERVICE | \$205,507 | \$220,012 | \$222,476 | \$231,616 | \$223,906 |
| NET REVENUES AFTER DEBT SERVICE | \$144,746 | \$157,480 | \$158,753 | \$123,571 | \$226,663 |
| Debt Service ⁽⁷⁾ | \$191,902 | \$206,407 | \$208,871 | \$218,011 | \$210,301 |
| Senior Debt Service Coverage | 4.09 | 4.80 | 6.93 | 6.04 | 6.12 |
| Debt Service Coverage ⁽⁷⁾ | 1.83 | 1.83 | 1.83 | 1.63 | 2.14 |
| NON-OPERATING REVENUES | | | | | |
| Wastewater Service Contracts ⁽⁸⁾ | 22,343 | 13,642 | 21,532 | 18,833 | 14,836 |
| FEMA Reimbursement | 27,495 | 3,330 | — | — | — |
| Interest Income on Bonds- Construction Funds | — | 2,981 | 4,123 | 4,220 | 400 |
| Total Non-Operating Revenues | \$49,838 | \$19,953 | \$25,655 | \$23,053 | \$15,236 |
| NON-OPERATING EXPENSES | | | | | |
| Deposits to Escrow Accounts ⁽⁹⁾ | \$ 13,170 | \$ — | \$ — | \$ — | \$ — |
| BALANCE AVAILABLE⁽¹⁰⁾ | \$181,414 | \$177,433 | \$184,408 | \$146,624 | \$241,899 |

-
- (1) Includes QSF, Permit Application Fees, Inspection and Control Fees, and SIU Fees.
- (2) Operations and maintenance portion of WSC payments (excluding capital charge component, which is not treated as Revenues). Most of the revenue increase from Fiscal Year 2017-18 to Fiscal Year 2018-19 is due to the City of Burbank's \$9 million partial payment of service charges previously invoiced by the City but not previously paid because of an ongoing billing dispute. An additional portion of the revenue increase is because the invoicing and payment of the City of Glendale's share of the LAGWRP cost was delayed from Fiscal Year 2017-18 to Fiscal Year 2018-19.
- (3) Interest on all SCM funds except construction funds. Amounts in the SCM Fund are invested separately from amounts from the City's General Fund.
- (4) Includes non-operating revenues considered in the debt service coverage calculation as defined in the Senior General Resolution. After the April 19, 2017 adoption of the Refundable Credits Amendments, the BABs and RZEDB credits are not included in the non-operating revenues considered in the debt service coverage calculation, but rather are netted out of the amount of interest coming due during this period.
- (5) Operating expenses for the 12 months ending on June 30, 2017 through 2021 include SSC refunds of approximately \$209,000, \$264,000, \$64,000, \$329,000 and \$8,000 respectively.
- (6) Operating expenses for Fiscal Year 2019-20 increased in part due to an unusually high expense in liability claims (approximately \$19.3M) due to multiple settlements. See APPENDIX A – "CITY OF LOS ANGELES INFORMATION STATEMENT – BUDGET AND FINANCIAL OPERATIONS – Risk Management and Retention Programs." Operating expenses decreased in Fiscal Year 2020-21 due to a hiring freeze related to the COVID-19 pandemic. Additionally, there were fewer emergency sewer projects during Fiscal Year 2020-21.
- (7) Excludes debt service on the State Revolving Fund loan, which is subordinate to the Senior Lien Bonds, the Subordinate Bonds and the Wastewater System Commercial Paper Notes.
- (8) This category includes only the capital portion of WSC payments.
- (9) This category reflects release of money held in a debt service reserve fund in connection with the refunding of certain bonds.
- (10) Amount represents surplus Revenues equal to the net operating revenues after debt service and non-operating revenues available for capital costs or other purposes. This category does not include prior fiscal year's ending fund balance or interest on all construction funds.

Source: Office of Accounting.

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Sewer Construction and Maintenance Fund Cash Balances

The following table sets forth the cash balances of the Sewer Construction and Maintenance Fund's unrestricted and restricted funds.

TABLE 18
SEWER CONSTRUCTION AND MAINTENANCE FUND
CASH BALANCES IN ALL FUNDS (UNAUDITED)⁽¹⁾
(in thousands)

| | As of June 30 | | | | |
|-----------------------------------------------------|------------------|------------------|------------------|------------------|--------------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| UNRESTRICTED FUNDS⁽²⁾ | | | | | |
| Sewer Construction and Maintenance ⁽³⁾ | \$31,602 | \$97,540 | \$49,635 | \$29,455 | \$101,245 |
| Sewer Operation and Maintenance ⁽⁴⁾ | 48,110 | 10,206 | 15,997 | 21,670 | 39,140 |
| Sewer Capital ⁽⁵⁾ | <u>56,152</u> | <u>18,749</u> | <u>11,831</u> | <u>13,658</u> | <u>27,478</u> |
| Total Unrestricted Funds | \$135,864 | \$126,495 | \$77,463 | \$64,783 | \$167,863 ⁽⁶⁾ |
| RESTRICTED FUNDS⁽⁷⁾ | | | | | |
| Operation and Maintenance Reserve ⁽⁸⁾ | \$39,590 | \$41,495 | \$45,741 | \$47,255 | \$48,968 |
| Insurance and Liability Claims Funds ⁽⁹⁾ | <u>3,000</u> | <u>3,000</u> | <u>3,000</u> | <u>3,000</u> | <u>3,000</u> |
| Subtotal—Restricted Funds Available for | | | | | |
| Operation and Maintenance | \$42,590 | \$44,495 | \$48,741 | \$50,255 | \$51,968 |
| Emergency Fund | \$5,026 | \$5,017 | \$5,008 | \$5,008 | \$5,008 |
| Construction Funds ⁽¹⁰⁾⁽¹¹⁾ | 262,538 | 168,576 | 281,725 | 93,274 | 45,853 |
| Reserve Funds ⁽¹²⁾ | 102,413 | 103,807 | 102,310 | 102,310 | 100,547 |
| Debt Service Funds | 20,743 | 20,784 | 19,562 | 20,826 | 26,052 |
| Rebate Funds | <u>366</u> | <u>530</u> | <u>167</u> | <u>169</u> | <u>170</u> |
| Total Restricted Funds | \$391,086 | \$298,714 | \$408,772 | \$221,587 | \$229,598 |
| TOTAL FUNDS | <u>\$569,540</u> | <u>\$469,704</u> | <u>\$534,976</u> | <u>\$336,625</u> | <u>\$397,461</u> |

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- (1) All the funds listed below are considered accounts of the SCM Fund pursuant to the Subordinate General Resolution and the supplemental resolutions related thereto, and reported within a single SCM Fund in the City's audited financial statements.
- (2) Reported under current assets as "unrestricted" cash and pooled investments held by the City Treasurer in the Statements of Net Position of the separately prepared audited financial statement of the SCM Fund and valued at market value rather than the original cost value shown in Table 18 above.
- (3) All Revenues are deposited into this fund maintained in the City's Treasury for transfer to other funds and accounts of the SCM Fund.
- (4) The fund established by the City to receive transfers from its SCM Fund for payment of O&M expenses. The amounts reported above are residual after paying O&M expenses.
- (5) The fund established by the City to receive transfers from its SCM Fund for payment of pay-as-you-go capital. Additionally, grant receipts and WSC capital payments are deposited into this account. The amounts reported above are residual after paying pay-as-you-go capital.
- (6) The increase in cash balance from Fiscal Year 2019-20 to Fiscal Year 2020-21 is due to a decline in expenditures, such as salaries and other operating expenditures. Additionally, due to the COVID-19 pandemic, the City paused the award of some capital improvement projects for several months while evaluating the impact of the pandemic on revenues and the construction industry, which resulted in lower expenditures in such Fiscal Year.
-
- (7) Reported by the City Treasurer in the Statements of Net Position held of the audited financial statement of the SCM Fund in current assets and non-current assets as "restricted" cash and pooled investments and at fair market value rather than the original cost value shown in Table 18 above.
- (8) Pursuant to the Subordinate General Resolution, the City has covenanted to maintain an Operation and Maintenance Reserve in the amount needed to provide for the System's operation and maintenance expenses for 45 days.
- (9) Amounts in these funds represent an Operations and Maintenance Reserve allocated for insurance and liability claims.
- (10) These funds are funded with proceeds of the Senior Lien Bonds, Subordinate Bonds, and Wastewater System Commercial Paper Notes.
- (11) The construction funds were reported as unrestricted in Fiscal Year 2016-17 due to a change in the City's financial reporting practices and accounting. However, in Fiscal Year 2017-18 and thereafter, the City reported the construction funds as restricted, to reflect the actual use of these funds.
- (12) Funded with proceeds of the Senior Lien Bonds.
- Source: Office of Accounting and Office of the City Administrative Officer, from records of the City Controller

Property, Plant and Equipment

Expenditures for property, plant and equipment of the System (at cost) was \$[] billion in Fiscal Year 2020-21, representing an approximate [34]% increase in investment in the last ten Fiscal Years. Net debt represented approximately []% of net plant as of June 30, 2021, which is down from a high of approximately 71% as of June 30, 1992. The following table sets forth the City's expenditures on property, plant and equipment and the balances in the total debt attributable thereto for the last ten Fiscal Years.

TABLE 19
SEWER CONSTRUCTION AND MAINTENANCE FUND
GROWTH IN PROPERTY, PLANT AND EQUIPMENT
(in thousands)

| Fiscal Year Ended June 30 | Property, Plant and Equipment (at cost) | Net Property, Plant and Equipment (depreciated) | Total Debt | Net Debt⁽¹⁾ | Net Debt as Percent of Net Plant |
|--------------------------------------|------------------------------------------------------------|--------------------------------------------------------------------|-----------------------|-----------------------------------|-------------------------------------------------|
| 2012 | \$6,804,411 | \$3,833,969 | \$2,507,195 | \$2,404,503 | 62.72% |
| 2013 | 7,000,335 | 3,863,746 | 2,582,893 | 2,484,657 | 64.31 |
| 2014 | 7,176,030 | 3,895,191 | 2,611,225 | 2,509,142 | 64.42 |
| 2015 | 7,415,073 | 3,990,863 | 2,852,209 | 2,744,506 | 68.77 |
| 2016 | 7,660,074 | 4,086,529 | 2,750,730 | 2,641,228 | 64.63 |
| 2017 | 7,954,118 | 4,226,698 | 2,920,128 | 2,817,566 | 66.66 |
| 2018 | 8,278,826 | 4,382,890 | 2,811,090 | 2,707,760 | 61.78 |
| 2019 | 8,600,201 | 4,528,452 | 2,964,625 | 2,862,122 | 63.20 |
| 2020 | 8,930,918 | 4,667,165 | 2,843,975 | 2,740,511 | 58.72 |
| [2021] | | | | | |

⁽¹⁾ Total debt net of balances in debt service reserve funds.

Source: City of Los Angeles, Office of Accounting

Projected Statement of Revenues and Expenditures

The following table sets forth a projected operations statement based on revenue and expenditure projections developed by the Bureau of Sanitation. The projected financial operations statement includes a number of assumptions, including a decrease in billable wastewater volume of approximately 5.25% in Fiscal Year 2021-22 due to the continued impacts of the COVID-19 pandemic, including a gradual return of workers to non-remote work and the permanent or prolonged closure of some commercial and industrial customers. The projections further assume that the number of customers will remain approximately the same as it is at this time and that sewage volume will decrease at a net annual rate of 0.44% from Fiscal Years 2021-22 through 2023-24, with no further reductions in volume thereafter. The projected annual volume reduction through Fiscal Year 2023-24 results from water conservation measures enacted due to the previous drought in the State and no significant additional significant conservation related to the current drought. The projections assume 5% rate increases effective on January 1, 2024, July 1, 2024 and July 1, 2025, but no rate increases have been proposed or considered by City Council, and any rate increases will be subject to notice and public hearing in compliance with Proposition 218. See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Rate Setting Process” and “– Proposition 218” herein. The achievement of certain results or other expectations contained in the following table involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements reflected in the following table to be materially different from any future results, performance or achievements expressed or implied by such table. Although, in the opinion of the Bureau of Sanitation, such projections are reasonable, there can be no assurance that any or all of such projections will be realized or predictive of future results.

TABLE 20
PRO FORMA STATEMENT OF FINANCIAL OPERATIONS
UNDER INDICATED REVENUE LEVELS
(in thousands)

| Description | Fiscal Year Ending June 30 | | | | |
|-------------------------------------------------------|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| SOURCES OF FUNDS | | | | | |
| Projected Beginning Cash Balance⁽¹⁾ | \$219,831 | \$231,746 | \$238,457 | \$186,321 | \$155,408 |
| REVENUES | | | | | |
| Rates As of July 1, 2021 | \$695,366 | \$692,308 | \$689,263 | \$689,951 | \$690,640 |
| Increased Rates ⁽²⁾ | -- | -- | <u>15,815</u> | <u>67,743</u> | <u>105,733</u> |
| Total User Charges Revenues | \$695,366 | \$692,308 | \$705,078 | \$757,694 | \$796,373 |
| Other Revenues ⁽³⁾ | <u>90,263</u> | <u>104,781</u> | <u>70,441</u> | <u>72,167</u> | <u>74,135</u> |
| Subtotal Projected Revenues | <u>\$785,629</u> | <u>\$797,089</u> | <u>\$775,520</u> | <u>\$829,861</u> | <u>\$870,508</u> |
| TOTAL PROJECTED SOURCES OF FUNDS | \$1,005,460 | \$1,028,834 | \$1,013,976 | \$1,016,181 | \$1,025,915 |
| EXPENDITURES | | | | | |
| Operations and Maintenance (O&M) | | | | | |
| O&M Expense ⁽⁴⁾ | \$401,822 | \$401,549 | \$421,330 | \$432,791 | \$444,580 |
| Changes to O&M Reserve | <u>572</u> | <u>(34)</u> | <u>2,439</u> | <u>1,413</u> | <u>1,453</u> |
| Subtotal O&M | <u>\$402,393</u> | <u>\$401,516</u> | <u>\$423,769</u> | <u>\$434,203</u> | <u>\$446,033</u> |
| Debt Service | | | | | |
| Senior Lien Bonds | | | | | |
| Existing Senior Lien Bonds ⁽⁵⁾ | \$85,766 | \$50,276 | \$39,093 | \$55,398 | \$43,833 |
| Additional Senior Lien Bonds ⁽⁶⁾ | -- | -- | -- | 9,087 | 17,912 |
| Subordinate Bonds | | | | | |
| Existing Subordinate Bonds ⁽⁷⁾ | 127,353 | 130,866 | 83,537 | 103,657 | 132,254 |
| Series 2022-A ⁽⁸⁾ | 1,290 | 5,277 | 5,277 | 5,277 | 5,277 |
| Series 2022-B ⁽⁸⁾ | 400 | 6,022 | 6,026 | 6,023 | 6,025 |
| Series 2022-C ⁽⁸⁾ | 4,484 | 31,414 | 87,400 | 50,510 | 34,824 |
| Additional Subordinate Bonds ⁽⁹⁾⁽¹⁰⁾ | -- | 6,486 | 20,053 | 30,686 | 39,701 |
| Commercial Paper Interest Expense ⁽¹¹⁾ | 4,688 | 2,833 | 3,400 | 3,329 | 4,548 |
| SRF Clean Water Loan | <u>13,606</u> | <u>13,606</u> | <u>13,606</u> | <u>13,606</u> | <u>-</u> |
| Subtotal Debt Service | <u>\$237,587</u> | <u>\$246,780</u> | <u>\$258,393</u> | <u>\$277,572</u> | <u>\$284,374</u> |
| Sewer Capital | | | | | |
| Cash Financing of Construction | <u>\$133,734</u> | <u>\$142,082</u> | <u>\$145,494</u> | <u>\$148,998</u> | <u>\$138,995</u> |
| Subtotal Sewer Capital | <u>\$133,734</u> | <u>\$142,082</u> | <u>\$145,494</u> | <u>\$148,998</u> | <u>\$138,995</u> |
| Total Uses of Funds | \$773,714 | \$790,377 | \$827,656 | \$860,774 | \$869,402 |
| Projected Ending Cash Balance | <u>\$231,746</u> | <u>\$238,457</u> | <u>\$186,321</u> | <u>\$155,408</u> | <u>\$156,513</u> |

(1) Cash Balance includes the "Unrestricted Funds" and "Restricted Funds Available for Operation and Maintenance" as shown in Table 18.

(2) Includes projected 5% rate increases effective on January 1, 2024, July 1, 2024 and July 1, 2025. Assumes future decline in wastewater volume of 0.44% per year from Fiscal Years 2021-22 through 2023-24, and no additional reduction due to water conservation starting in Fiscal Year 2024-25.

(3) Includes revenues from the O&M portion of wastewater service contract payments, the sewerage facility charge, interest income on all funds except construction funds, bonded sewer fees, and miscellaneous revenue. Fiscal Years 2021-22 and 2022-23 revenues include one-time general fund reconciliations.

(4) O&M expenses includes the System's projected share of the City's projected health and pension costs and assuming a salary increase of 4% for Fiscal Year 2021-22 and 3% per year commencing in Fiscal Year 2022-23 through Fiscal Year 2025-26. For Fiscal Year 2021-22 projected O&M expenses assume the end of the hiring freeze implemented in response to the COVID-19 pandemic, resulting in increases to salaries and other operating costs.

(5) Represents principal and interest becoming due and payable on all Senior Lien Bonds issued and Outstanding in each Fiscal Year, assuming the issuance of the Series 2022-C Subordinate Bonds and the Series 2022-AB Subordinate Bonds. See "PLAN OF FINANCE" and "-Anticipated Financings" herein.

(6) Assumes an interest rate of 5.00% for additional Senior Lien Bond issuances and 30-year amortization structured against existing debt service.

(7) Represents principal and interest becoming due and payable on all Existing Subordinate Bonds issued and Outstanding in each Fiscal Year, following the execution of the finance plan. See "PLAN OF FINANCE" and "-Anticipated Financings" herein.

(8) Includes projected debt service on the Series 2022-A Subordinate Bonds, Series 2022-B Subordinate Bonds and Series 2022-C

Subordinate Bonds.

⁽⁹⁾ Assumes an interest rate of 5% for additional Subordinate Bond issuances and 30-year amortization structured against existing debt service.

⁽¹⁰⁾ Payments on the WIFIA loan are projected to begin in Fiscal Year 2026-27.

⁽¹¹⁾ Reflects interest at an assumed annual interest rate of 3.0% on projected Wastewater System Commercial Paper notes.

Source: Bureau of Sanitation

Outstanding Indebtedness

Senior Lien Bonds and Subordinate Bonds have been heretofore issued pursuant to the City Charter and the Authorizations. Pursuant to the amended and restated charter approved by the voters of the City, additional revenue bonds and notes of the City in excess of the aggregate principal amount approved pursuant to the Authorizations may be issued upon adoption of a procedural ordinance and without any further authorization by the voters of the City. The Series 2022-C Subordinate Bonds are being issued pursuant to the City Charter, the Procedural Ordinance and the Refunding Law, and, assuming such issuance and the application of proceeds thereof as currently contemplated, all or a portion of the Series 2010-A Subordinate Bonds, 2012-A Senior Bonds, 2012-B Subordinate Bonds, 2012-C Subordinate Bonds and 2018-C Subordinate Bonds will be refunded. See “PLAN OF FINANCE” herein.

As of December 31, 2021, the City had \$971,695,000 aggregate principal amount of Existing Senior Lien Bonds Outstanding and \$1,558,245,000 aggregate principal amount of Existing Subordinate Bonds Outstanding, excluding Wastewater System Commercial Paper Notes Outstanding.

The City has also authorized a maximum of \$400 million aggregate principal amount of Subordinate Bonds in the form of Wastewater System Commercial Paper Notes. The Wastewater System Commercial Paper Notes are currently supported by Letters of Credit issued by Barclays and Toronto-Dominion. The maximum amount of Wastewater System Commercial Paper Notes that may be Outstanding at any particular time under the existing Letters of Credit for the Wastewater System Commercial Paper Notes is \$400 million. As of [January 31, 2022], there was approximately \$[200] million in aggregate principal amount of Wastewater System Commercial Paper Notes Outstanding. Substantially simultaneously with the issuance of the Series 2022-C Subordinate Bonds, the City expects to issue its Series 2022-AB Subordinate Bonds, and to apply the proceeds thereof to pay all or a portion of the Outstanding Wastewater System Commercial Paper Notes at their respective maturity dates.

On September 23, 2021, the City incurred a loan in the original principal amount of up to \$223,921,010 (the “WIFIA Loan”) from the United States Environmental Protection Agency for a financing under the Water Infrastructure Finance and Innovation Act for the DCTWRP AWPf Project. The expected substantial completion date for the DCTWRP AWPf Project is September 30, 2027. Absent an event of default, amounts outstanding under the WIFIA Loan bear interest at a fixed rate of 1.72% per annum, calculated on the basis of a 360-day year of twelve 30-day months. Repayment of principal of the WIFIA Loan shall commence on the earlier of (a) the payment date closest to (but not later than) the fifth anniversary of the substantial completion of the DCTWRP AWPf Project and (b) June 1, 2032. Repayment of the WIFIA Loan is secured by a pledge of all Revenues, Revenues held in the SCM Fund (including earnings thereon) and all moneys and securities held in funds and accounts created under the WIFIA Loan documents. The lien on the collateral securing the WIFIA Loan is *pari passu* in right of payment and right of security to the lien of the Subordinate Bonds. The final maturity for the WIFIA Loan will be the earlier of (a) June 1, 2056 and (b) the principal payment date immediately preceding the date that is thirty-five (35) years following the substantial completion date.

The following table sets forth the Outstanding Wastewater System Revenue Bonds and Wastewater System Commercial Paper Notes.

TABLE 21
CITY OF LOS ANGELES OUTSTANDING WASTEWATER SYSTEM
REVENUE BONDS AND COMMERCIAL PAPER REVENUE NOTES
(in thousands) (as of [December 31, 2021])

| Issue | Amount Issued | Amount Outstanding | Final Maturity |
|-------------------------------------------------|--------------------------|-------------------------------|---------------------------|
| Series 2010-A | \$177,420 | \$177,420 | 6/1/2039 |
| Series 2010-B | 89,600 | 89,600 | 6/1/2040 |
| Series 2010-A (Subordinate) | 199,790 | 37,075 | 6/1/2032 |
| Series 2012-A (Refunding) | 49,650 | 49,650 | 6/1/2024 |
| Series 2012-A (Subordinate Refunding) | 157,055 | 18,350 | 6/1/2024 |
| Series 2012-B (Subordinate Refunding) | 253,880 | 234,965 | 6/1/2032 |
| Series 2012-C (Subordinate Refunding) | 133,715 | 85,605 | 6/1/2027 |
| Series 2013-A | 149,980 | 149,980 | 6/1/2043 |
| Series 2013-B (Refunding) | 143,880 | 94,000 | 6/1/2035 |
| Series 2013-A (Subordinate Refunding) | 349,505 | 242,190 | 6/1/2035 |
| Series 2015-A | 188,755 | 188,755 | 6/1/2045 |
| Series 2015-B (Refunding) | 41,175 | 41,175 | 6/1/2035 |
| Series 2015-C | 100,835 | 100,835 | 6/1/2045 |
| Series 2015-D (Refunding) | 108,860 | 80,280 | 6/1/2034 |
| Series 2015-A (Subordinate Refunding) | 21,650 | 21,650 | 6/1/2024 |
| Series 2017-A (Subordinate) | 227,540 | 227,540 | 6/1/2047 |
| Series 2017-B (Subordinate Refunding) | 107,155 | 99,105 | 6/1/2039 |
| Series 2017-C (Subordinate Refunding) (Taxable) | 115,455 | 104,625 | 6/1/2039 |
| Series 2018-A (Subordinate) | 219,790 | 217,335 | 6/1/2048 |
| Series 2018-B (Subordinate Refunding) | 139,880 | 139,880 | 6/1/2028 |
| Series 2018-C (Subordinate Refunding) | 129,925 | 129,925 | 6/1/2032 |
| WIFIA Loan (Subordinate) ⁽¹⁾ | 223,921 | 0 | 6/1/2056 |
| Wastewater System Commercial Paper Notes | <u>400,000</u> | <u>200,000</u> | |
| Total: ⁽²⁾ | <u>\$3,729,416</u> | <u>\$2,729,940</u> | |

⁽¹⁾ On September 23, 2021, the City entered into a loan agreement with the United States Environmental Protection Agency for a financing under the Water Infrastructure Finance and Innovation Act (WIFIA) for the DCTWRP AWP Project. The City plans to draw on the loan on the projected substantial completion date of September 30, 2027. The final maturity for the WIFIA Loan will be the earlier of (a) June 1, 2056 and (b) the principal payment date immediately preceding the date that is thirty-five (35) years following the substantial completion date.

⁽²⁾ Excludes the SRF Clean Water Loan (which matures in Fiscal Year 2024-25)

Source: Office of the City Administrative Officer

Annual Debt Service Requirements

The following table sets forth the amounts required in each Fiscal Year ending June 30 for the payment of principal and interest on all Outstanding Senior Lien Bonds and Subordinate Bonds.

TABLE 22
CITY OF LOS ANGELES
WASTEWATER SYSTEM REVENUE BONDS
DEBT SERVICE ON ALL SENIOR LIEN BONDS AND SUBORDINATE BONDS⁽¹⁾

| Fiscal Year Ending June 30 | Series 2022-AB Subordinate Bonds | | | Series 2022-C Subordinate Bonds | | | Total Debt Service on All Bonds ⁽⁴⁾ |
|-------------------------------------|----------------------------------|----------|---------------------------------|-----------------------------------------------------------------|-------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| | Principal | Interest | Total Principal and Interest | Principal | Interest ⁽²⁾ | Total Principal and Interest ⁽²⁾ | |
| | | | | Debt Service on Other Subordinate Bonds ⁽²⁾ | | Debt Service on All Subordinate Bonds ⁽¹⁾⁽²⁾ | Debt Service on All Senior Lien Bonds ⁽¹⁾⁽³⁾ |
| 2022 | | | | \$134,769,276 | | | \$92,278,353 |
| 2023 | | | | 164,387,200 | | | 58,649,853 |
| 2024 | | | | 123,428,225 | | | 97,117,353 |
| 2025 | | | | 158,739,136 | | | 61,289,853 |
| 2026 | | | | 171,659,922 | | | 49,724,603 |
| 2027 | | | | 160,919,314 | | | 61,546,853 |
| 2028 | | | | 132,223,526 | | | 71,574,103 |
| 2029 | | | | 140,222,142 | | | 65,730,853 |
| 2030 | | | | 133,796,503 | | | 71,863,353 |
| 2031 | | | | 133,459,332 | | | 71,863,853 |
| 2032 | | | | 133,138,073 | | | 71,865,603 |
| 2033 | | | | 87,187,223 | | | 71,869,603 |
| 2034 | | | | 87,187,262 | | | 71,866,603 |
| 2035 | | | | 95,536,577 | | | 63,237,603 |
| 2036 | | | | 49,870,513 | | | 79,709,353 |
| 2037 | | | | 49,871,417 | | | 78,714,848 |
| 2038 | | | | 49,871,089 | | | 77,685,224 |
| 2039 | | | | 49,868,472 | | | 76,621,481 |
| 2040 | | | | 30,771,613 | | | 103,806,971 |
| 2041 | | | | 30,773,063 | | | 63,260,150 |
| 2042 | | | | 30,772,263 | | | 63,263,400 |
| 2043 | | | | 30,772,363 | | | 63,261,650 |
| 2044 | | | | 30,770,750 | | | 63,228,900 |
| 2045 | | | | 30,772,913 | | | 63,230,150 |
| 2046 | | | | 30,775,525 | | | - |
| 2047 | | | | 30,775,250 | | | - |
| 2048 | | | | 16,248,750 | | | - |
| 2049 | | | | - | | | - |
| 2050 | | | | - | | | - |
| Total | | | | \$2,318,567,689 | | | \$1,713,260,562 |
| | | | | | | | \$4,031,828,250 |

- (1) Does not reflect the issuance of the Series 2022-C Subordinate Bonds or the completion of the refunding described under “Plan of Finance” herein, and the completion of the refunding described under “– Anticipated Financings” herein.
- (2) Assumes an all-in interest cost of 3.00% on the Series 2018-C Subordinate Bonds. It is expected that upon delivery of the Series 2022-C Subordinate Bonds, the Series 2018 Subordinate Bonds will be refunded in whole. See “Plan of Finance” and “– Anticipated Financings” herein. Total may not equal sum of components due to individual rounding.
- (3) Does not reflect any offset for the Refundable Credits.
- (4) Excludes debt service on the WIFIA Loan and the SRF Loan.

Source: Office of the City Administrative Officer

Anticipated Financings

As discussed in the “PLAN OF FINANCE” section, the City intends to issue its Series 2022-AB Subordinate Bonds substantially simultaneously with the issuance of the Series 2022-C Subordinate Bonds. The proceeds of the Series 2022-AB Subordinate Bonds are expected to be used to: (i) pay all or a portion of the Outstanding Wastewater System Commercial Paper Notes at their respective maturity dates; and (ii) pay certain costs of issuing the Series 2022-AB Subordinate Bonds.

The City also anticipates issuing additional Senior Lien Bonds and Subordinate Bonds (including Wastewater System Commercial Paper Notes) from time to time to finance capital improvement projects. See “WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM – Financing Plans for the Wastewater System Capital Improvement Program” herein.

Cash Basis Debt Service Coverage

The following table sets forth the projected cash basis debt service coverage for Fiscal Years 2021-22 through 2025-26. Such debt service coverage projections are based on a number of assumptions, including that the number of customers will remain approximately the same as it is at this time and that SSC, QSF and waste hauler fees will increase by 5% on January 1, 2024, July 1, 2024 and July 1, 2025, although no rate increases have been proposed or considered by the City. See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Rate Setting Process” herein. The achievement of certain results or other expectations contained in the following table involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements reflected in the following table to be materially different from any future results, performance or achievements expressed or implied by such table. Although, in the opinion of the Bureau of Sanitation, such projections are reasonable, there can be no assurance that any or all of such projections will be realized or predictive of future results.

TABLE 23
DEBT SERVICE COVERAGE PROJECTIONS
(in thousands)
Fiscal Year Ending June 30

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|-------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Net Revenues – Current Rates | \$695,366 | \$692,308 | \$689,263 | \$689,951 | \$690,640 |
| Additional Revenue from Future Rate Increases ⁽¹⁾ | - | - | 15,815 | 67,743 | 105,733 |
| Other Revenue ⁽²⁾ | 90,263 | 104,781 | 70,441 | 72,167 | 74,135 |
| Projected Net Revenue | \$785,629 | \$797,089 | \$775,520 | \$829,861 | \$870,508 |
| Less Projected O&M ⁽³⁾ | (402,393) | (401,516) | (423,769) | (434,203) | (446,033) |
| Projected Net Revenue | \$383,235 | \$395,573 | \$351,751 | \$395,657 | \$424,474 |
| Debt Service | | | | | |
| Existing Senior Lien Bonds ⁽⁴⁾ | \$85,766 | \$50,276 | \$39,093 | \$55,398 | \$43,833 |
| Additional Senior Lien Bonds ⁽⁵⁾ | - | - | - | 9,087 | 17,912 |
| Total Senior Lien Bonds Debt Service | \$85,766 | \$50,276 | \$39,093 | \$64,486 | \$61,745 |
| Existing Subordinate Bonds ⁽⁶⁾ | \$127,353 | \$130,866 | \$83,537 | \$103,657 | \$132,254 |
| Series 2022-A Subordinate Bonds ⁽⁷⁾ | 1,290 | 5,277 | 5,277 | 5,277 | 5,277 |
| Series 2022-B Subordinate Bonds ⁽⁷⁾ | 400 | 6,022 | 6,026 | 6,023 | 6,025 |
| Series 2022-C Subordinate Bonds ⁽⁷⁾ | 4,484 | 31,414 | 87,400 | 50,510 | 34,824 |
| Additional Subordinate Bonds ^{(8) (9)} | - | 6,486 | 20,053 | 30,686 | 39,701 |
| Wastewater System Commercial Paper Notes Interest ⁽¹⁰⁾ | 4,688 | 2,833 | 3,400 | 3,329 | 4,548 |
| Total All Bonds and Notes | \$223,981 | \$233,174 | \$244,787 | \$263,966 | \$284,374 |
| Projected Debt Service Coverage | | | | | |
| Total Senior Debt | 446.8% | 786.8% | 899.8% | 613.6% | 687.5% |
| Total Senior and Subordinate Debt | 171.1% | 169.6% | 143.7% | 149.9% | 149.3% |

⁽¹⁾ Includes projected 5% rate increases effective on January 1, 2024, July 1, 2024 and July 1, 2025. Assumes continued 0.44% net annual reduction of sewage volume through Fiscal Year 2023-24, no further projected volume reductions starting in Fiscal Year 2024-25, and a continued 0.10% increase in service points.

⁽²⁾ Includes revenues from the O&M portion of WSC payments, the sewerage facility charge, interest income on all funds except construction funds, bonded sewer fees, and miscellaneous revenue.

⁽³⁾ O&M expenses includes the System's projected share of the City's projected health and pension costs and assuming a salary increase of 4% for Fiscal Year 2021-22 and 3% per year commencing in Fiscal Year 2022-23 through Fiscal Year 2025-26. For Fiscal Year 2021-22 projected O&M expenses assume the end of the hiring freeze implemented in response to the COVID-19 pandemic, resulting in increases to salaries and other operating costs.

⁽⁴⁾ Represents principal and interest becoming due and payable on all Senior Lien Bonds Outstanding in each Fiscal Year, net of Refundable Credits and net of debt service related to the planned refunding of the Senior Series 2012-A Bonds from the proceeds of the Series 2022-C Subordinate Bonds.

⁽⁵⁾ Assumes an interest rate of 5.00% for additional bond issuances after Fiscal Year 2021-22, 30-year amortization structured against existing debt service.

⁽⁶⁾ Represents principal and interest becoming due and payable on all Existing Subordinate Bonds issued and Outstanding in each Fiscal Year, net of the debt service related to the planned refunding of the Series 2010-A, 2012-B, 2012-C, and 2018-C Subordinate Bonds from the proceeds of the Subordinate 2022-C Subordinate Bonds.

⁽⁷⁾ Includes projected debt service on the Series 2022-C Subordinate Bonds and Series 2022-AB Subordinate Bonds, assuming interest rates as of November 4, 2021 plus 50 basis points (0.50%).

⁽⁸⁾ Assumes an interest rate of 5% for additional Subordinate Bond issuances and 30-year amortization structured against existing debt service.

⁽⁹⁾ Excludes payments on the WIFIA Loan which are projected to begin in Fiscal Year 2026-27 and payments on any future SRF Loan.

⁽¹⁰⁾ Reflects interest at an assumed annual interest rate of 3.0% on projected Wastewater System Commercial Paper Notes.

Source: Bureau of Sanitation

REGULATORY REQUIREMENTS AFFECTING OPERATION OF THE SYSTEM

General

The City's wastewater operations are subject to regulatory requirements relating to the Clean Water Act. The regulatory requirements are administered by the US EPA through the SWRCB and the Los Angeles Regional Water Quality Control Board (LARWQCB). Regulations of these agencies deal primarily with the quality of effluent which may be discharged from the four water reclamation facilities, the recycling of residual solids generated by the water reclamation plants, the reuse of reclaimed water for irrigation and industrial uses to conserve potable water, and the nature of waste material (particularly industrial waste) discharged into the conveyance system. As a condition of having received federal EPA grant funds under the Clean Water Act for planning, design, and construction of various wastewater projects, the City is subject to additional requirements. Among the grant-related requirements are guidelines which must be followed concerning planning methodologies, design criteria, procurement, construction activities, and financing of facilities.

To comply with federally mandated effluent quality and disposal criteria, the City must operate its water reclamation facilities according to discharge limitations and reporting requirements set forth in NPDES discharge permits. All wastewater reclamation facilities currently comply with the requirements of their respective NPDES permits.

To comply with other federal regulations concerning the discharge of waste materials into the sewer system, the City must administer and enforce industrial pretreatment limitation standards upon users of the system. The City has had an industrial waste program in effect since the early 1940s. The City has been approved by the State and the US EPA to administer its own industrial pretreatment program.

The City's industrial waste ordinance sets forth the water quality standards that industrial users must meet and provides enforcement procedures for violators. The Industrial Waste Management Division of the Bureau of Sanitation is currently responsible for monitoring industrial sites, food service establishments, and dental offices located in the City. In addition, each Entity is required to permit and monitor all industries within its respective service area. The contractual agreements require the Entities to ensure compliance with federal, state, and local regulations, including pretreatment regulations. The Industrial Waste Treatment Division oversees each Entity's compliance with federal pretreatment requirements and works with the Entity on a regular basis ensuring their continued compliance.

In addition to federal requirements, the City must comply with State requirements which are generally more stringent. The primary State law concerned with the control of water quality is the Porter-Cologne Water Quality Control Act of 1969, as amended (the "Porter-Cologne Act"). The basic tenor of that act was set by the policy that the waters of the State must be protected for use and enjoyment by the people of the State. The Porter-Cologne Act directly addresses the issue of water reclamation and reuse. A declared policy of the law is that the people of the State have a primary interest in the development of facilities to reclaim wastewater to supplement existing surface and underground water supplies in order to meet their water requirements. The legislative intent was to undertake all possible development of water reclamation facilities to make reclaimed water available for use. The law requires the State Department of Health Services to establish statewide reclamation criteria for each type of use where such use involves public health.

Biosolids Management

The City currently reuses biosolids, a byproduct and residual of wastewater treatment, as a soil amendment at the City-owned Green Acres Farm (the Farm) in Kern County. The biosolids are used as a soil conditioner and fertilizer to help promote growth on sites where chemical fertilizers would otherwise have to be used to produce crops. Farm activities produce non-food chain crops such as wheat, corn, alfalfa, oats, milo, and sudan grass. After crops are harvested, they are sold as feedstock to local dairies.

The Farm must comply with the Salt and Nitrate Control Programs (Central Valley Salinity Alternatives for Long-Term Sustainability or CV-SALTS) being implemented by the Central Valley Regional Water Quality Control Board (the “Central Valley Water Board”), which adopted Resolution R5-2018-0034 in May 2018. The Salt Control Program imposes new requirements on permittees to protect surface waters and groundwater from salts in wastewater; it offers two new salinity permitting options - the Conservative Salinity Permitting Approach and the Alternative Salinity Permitting Approach. On January 22, 2021, the Farm received a Notice to Comply for the Salt Control Program issued by the Central Valley Water Board. On April 5, 2021, the City submitted its Notice of Intent and selection of the Alternative Salinity Permitting Approach. Under this approach, permittees must participate in the Prioritization & Optimization (P&O) Study and are required to pay an annual fee. The City has paid a fee of \$5,739. The P&O Study will run from 10-15 years, and the fees may change depending on the need and complexity of the study, and if other funding is available. Permittees can maintain current permit performance levels and will be allowed to defer more stringent and costly permitting requirements, if applicable, until such requirements are reevaluated after completion of Phase 1 of the P&O Study and Phase 2 is implemented. At this time, the P&O Study is not expected to impact Farm operations.

The Farm is currently irrigated with treated effluent supplied at no cost by a City of Bakersfield water reclamation plant. The City of Bakersfield has informed the City that it will stop providing this water supply after December 2026. Thereafter, the Farm will have to purchase water from other suppliers in order to continue its operations. The associated costs are unknown at this time.

The City continues to investigate and evaluate a new beneficial use option for its biosolids called the Terminal Island Renewable Energy (“TIRE”) demonstration project. The TIRE Project applies innovative technology to convert biosolids into clean energy by deep well placement and geothermal biodegradation. The TIRE project is currently injecting about 300 tons of bio-slurry material per day into the deep subsurface. The demonstration permit expired in December 2018. Prior to its expiration, an application for another 5-year permit was submitted to US EPA Region IX. TIRE is being allowed to continue to operate through the transition from the old permit to the new one. It is anticipated that the process to renew the permit will be completed in 2022.

Air Quality

South Coast Air Quality Management District. The air quality issues relating to wastewater reclamation facilities have been the subject of increased federal, State and local regulation. The US EPA has delegated most enforcement responsibilities of the federal Clean Air Act, as amended (“CAA”) to the South Coast Air Quality Management District (“SCAQMD”). The Bureau of Engineering and Sanitation obtain SCAQMD permits to construct many System capital improvement projects. The Bureau of Sanitation tracks federal and State air quality legislation and proposed federal, State and regional regulations, prepares responses to issues that may impact System operations and future development and coordinates SCAQMD permits to construct larger System projects such as the Digester Gas Utilization Project (“DGUP”) at HWRP.

Pollutant and Air Toxics Emissions. All of the City's reclamation facilities monitor and report on criteria air pollutant emissions and certain toxic air contaminants (TAC) pursuant to SCAQMD requirements, which are based on requirements of AB 2588 Air Toxics "Hot Spots" (1987), Emission Inventory Criteria Guidelines Regulation (EICG). requires Annual Emissions Reports ("AERs") of air contaminants and has designated HWRP and TIWRP as high priority emitters also requiring a health risk assessment ("HRA") from each facility every four years, or as requested by SCAQMD. An HRA is a comprehensive analysis of the dispersion of hazardous substances into the environment, the potential for human exposure, and a quantitative assessment of both individual and population-wide health risks associated with those levels of exposure. Future HRA analyses will be based on the recently revised Exposure Assessment by the California Office of Environmental Health Hazard Assessment ("OEHHA"). Due to the 2016 revised Exposure Assessment Guidelines of the OEHHA, SCAQMD has amended Rules 1401, 1401.1, 1402, and 212, and has revised its Risk Assessment Procedures. It is expected that this may result in more public notices for future construction or operations at HWRP and potentially TIWRP. OEHHA and CARB recently proposed through AB 2588 updates and AB 617, Criteria Air Pollutant and Toxic Air Contaminant Regulation (CTR, or CTR Regulation), mandatory monitoring for up to 10,000 new compounds. During 15-day regulation modifications, waste handling facilities, such as wastewater facilities and landfills, were specifically allowed a 2-step, qualification and quantification study that would require these waste handling facilities to report a new small set of TACs in AERs starting in 2029. No additional issues are expected to arise from AERS, Hot Spots reports, or HRAs.

SCAQMD Air Quality Management Plan and National Ambient Air Quality Standards. Every three (3) years, SCAQMD is required to review its Air Quality Management Plan ("AQMP"). The South Coast Air Basin is in extreme nonattainment for ozone, a federal criteria pollutant in accordance with the National Ambient Air Quality Standards ("NAAQSs") of the CAA. To meet requirements of the CAA, the 2016 AQMP, adopted March 3, 2017, is focused on reducing NOx and volatile organic compounds ("VOCs"), which are precursors to ozone. Although emissions from stationary sources, SCAQMD's primary area of jurisdiction, have been significantly reduced during the past few decades, further reduction of ozone from stationary sources is a priority for the SCAQMD, as are beneficial uses, in issuing air permits. Because the City consistently invests in beneficial uses and equipment that best reduce NOx, VOCs, PM and other pollutants, SCAQMD rules should not impinge significantly on the City. SCAQMD is working with US EPA and California Air Resources Board ("CARB") to reduce ozone from mobile sources sufficiently to meet attainment. An August 2018 development from the USEPA relative to car and light truck emissions would have made attainment more difficult, but was recently reversed. SCAQMD has started work on the 2022 AQMP, which will continue to work on reducing NOx and VOCs, and continues to work with CARB on reducing mobile sources.

CARB. In December 2007, CARB adopted Mandatory Reporting Requirements ("MRRs") requiring reporting of GHG emissions from the largest sources, including refineries, general stationary combustion facilities, and hydrogen plants that emit at least 25,000 metric tons of CO2 equivalents ("MTCO2e") per year. On December 16, 2011, CARB reduced the reporting threshold to 10,000 MTCO2e per year and removed cogeneration as a category subject to MRRs. If DGUP emissions cause HWRP to exceed 10,000 MTCO2e per year, which HWRP reports to CARB in accordance with the MRRs. HWRP also pays Cap and Trade fees of about \$450,000 each year.

The Cap and Trade program began on January 1, 2012, with enforceable limits on January 1, 2013. This CARB program requires a declining cap for stationary source combustion of fossil fuels above 25,000 MTCO2e per year.

AB 617 (2017) requires CARB and air districts, including SCAQMD, to prepare and deploy community air monitoring systems (CAMs) every year, and develop a state-wide strategy to reduce TACs and criteria air pollutants in communities of high cumulative exposure burden. Air districts,

including the SCAQMD, must adopt an expedited schedule to implement the best available retrofit control technology. In some cases, City facilities may be required to deploy a fence-line or other monitoring system.

US EPA. On September 22, 2009, the US EPA finalized a rule for GHG MRRs, one in a series of regulatory changes, impacting only highly emitting Publicly Owned Treatment Works ("POTWs"), including HWRP. Through this series of changes, the regulation clarified that most POTWs, except HWRP and a few others, are impacted by the federal MRR, which require reporting only for stationary source combustion emissions of fossil fuels with emissions above 25,000 MTCO₂e per year.

On August 2, 2018, USDOT and USEPA proposed withdrawing California's waiver for regulating motor vehicles through proposing the SAFE Vehicle Rule, which relaxes CAFE standards for 2021-26 cars and light trucks; the Biden administration is moving to reverse the relaxation of these standards. On September 23, 2020, California Governor Newsom issued Executive Order N-79-20, which establishes goals to achieve 100% sales of zero-emission cars by 2035, 100% sales of zero-emission medium- and heavy-duty vehicles by 2045, and 100% sales of zero-emission off road vehicles and equipment by 2035. For at least the next few years, federal and State efforts will continue to focus on reducing NO_x, VOC, and GHG emissions from both stationary and mobile sources. The City and the Bureau of Sanitation will continue its investments in vehicles, infrastructure, and equipment to support these efforts.

Industry Associations

The City is a member of several industry associations that support the Bureau of Sanitation's efforts in addressing federal and state regulations that impact its Clean Water, Solid Resources, and Watershed Protection programs. The associations advocate on behalf of the Bureau of Sanitation interests on a broad spectrum of issues, including those pertaining to air quality and climate change, and include:

- California Association of Sanitation Agencies ("CASA")
- National Association of Clean Water Agencies ("NACWA")
- Southern California Alliance of Publicly Owned Treatment Works ("SCAP")
- The Water Research Foundation ("WEF")
- WaterReuse Association

No assurance can be given that the cost of compliance with future laws, regulations and orders relating to climate change, greenhouse gases and/or renewable energy would not adversely affect the ability of the System to generate Revenues sufficient to pay debt service on the Series 2022-C Subordinate Bonds.

Water Quality

Total Maximum Daily Loads. The Los Angeles Regional Water Quality Control Board ("LARWQCB") is required to develop TMDLs for impaired waterbodies. Section 303(d) of the Clean Water Act requires every state to compile a list of waterbodies that are impaired with respect to water quality. Various watersheds in the Los Angeles area have water body segments that are listed as impaired due to a variety of pollutants. Currently, there are 22 TMDLs that apply to surface waters within the City. Additional TMDLs are expected to be developed in the future and compliance with both existing and new TMDLs will continue into the next decade. Some of these TMDLs have significant potential cost implications to the wastewater system (in addition to the municipal separate storm sewer system (MS4) and General Industrial Permit discharges of various System facilities). Bacteria TMDLs have been established for all receiving waters of publicly owned treatment works (POTWs). Typically, the POTWs

have no issues in meeting effluent limitations; however, if leaks are detected in the sewage conveyance systems, this could require costly repairs to the system. Furthermore, as more low flow diversion projects are implemented to divert urban runoff to the sanitary sewer system in order to protect receiving waters and/or increase water recycling, there could be significant costs associated with improving and maintaining these diversion systems, the sewer conveyance systems that bring this new source of water to the wastewater reclamation facilities, and wastewater reclamation facility processes.

At this time, it is difficult to predict the full impact of existing and future TMDLs on the National Pollutant Discharge Elimination System (“NPDES”) effluent limits at the City's four water reclamation plants. In addition, the Greater Los Angeles County MS4 permit, adopted by the LARWQCB in November 2012 and renewed in June 2021 as a regional permit that encompasses Los Angeles and Ventura counties, contains provisions that require compliance with all the adopted TMDLs. TMDLs have resulted in several discharge limits included in the City's NPDES permits (e.g., polychlorinated biphenyls, DDT, heavy metals, and bacteria). As discharge limits are developed for future TMDLs (e.g., mercury, arsenic, and nitrogen) they could result in the need for major plant upgrades to meet these new requirements (e.g., reverse osmosis and/or microfiltration systems). Improvements of this nature could cost in the billions of dollars to construct and operate/maintain.

NPDES Permits

The City’s four wastewater reclamation facilities are required to obtain five-year NPDES permits that are issued by the LARWQCB. The process of renewing a permit begins when the City files a Report of Waste Discharge (“ROWD”) with the LARWQCB no later than 180 days prior to the permit expiration date. Once an ROWD is complete, about two months before the expiration date, the LARWQCB issues a Tentative Order for review by the City and public. If any changes are made following the review, a Revised Tentative Order is issued. The LARWQCB may consider issues and concerns that are raised or adopt the Revised Tentative Order. About a month after adoption, the LARWQCB will issue the new order containing the new permit. The status of the permits is summarized in the table below:

TABLE 24
STATUS OF PERMITS

| WATER RECLAMATION PLANT ("WRP") | NPDES # | PREVIOUS NPDES PERMIT | | CURRENT NPDES PERMIT | | Expected Expiration |
|---------------------------------------|-----------|-----------------------|-------------------|-------------------------|-----------------------|------------------------|
| | | Order # | Expired | Order # | Adopted by LARWQCB | |
| Donald C. Tillman ("DCTWRP") | CA0056227 | R4-2011-0196 | November 10, 2016 | R4-2017-0062 | March 2, 2017 | April 30, 2022 |
| Los Angeles–Glendale ("LAGWRP") | CA0053953 | R4-2011-0197 | November 10, 2016 | R4-2017-0063 | March 2, 2017 | April 30, 2022 |
| Hyperion ("HWRP") | CA0109991 | R4-2010-0200 | December 23, 2015 | R4-2017-0045 | February 2, 2017 | March 31, 2022 |
| Terminal Island ("TIWRP") | CA0053856 | R4-2015- 0119-A01 | June 10, 2021 | R4-2021-0095 | June 10, 2021 | July 31, 2026 |

DCTWRP and LAGWRP. DCTWRP and LAGWRP's respective 2017 NPDES permits contain new effluent limits for ammonia and copper consistent with the Los Angeles River TMDL and reflective of the performance of the wastewater reclamation facility. DCTWRP and LAGWRP are expected to continue to meet the limits and there will be no potential financial impact to the City.

In December 2018 and February 2019, DCTWRP had exceedances of its limits for indeno (1,2,3-cd) pyrene and dibenzo (a,h) anthracene, and LARWQCB initially imposed fines in the form of mandatory minimum penalties (MMP). The Bureau of Sanitation contested the penalties, asserting that

the pollutant violations were due to the deposition of organic matter from the Woolsey Fire of November 2018 that was washed off by rainfall and then discharged into DCTWRP. In January 2020, LARWQCB concurred that the violations “resulted from an unanticipated natural disaster that could not have been prevented or avoided by the exercise of due care or foresight” and dismissed the Notice of Violation. Subsequently, LARWQCB identified five additional effluent limit violations (for copper, total coliform, and turbidity) that occurred in 2019 and would be subject to MMPs. These violations were resolved when the City accepted LARWQCB’s “Acceptance of Conditional Resolution and Waiver of Right to Hearing,” their “Offer to Participate in Expedited Payment Program,” and agreed to pay penalties in the sum of \$18,000. The US EPA may also take enforcement action for the same exceedances, although that is deemed to be unlikely. Exceedances also expose the City to potential third-party lawsuits

The SWRCB initiated a process to develop a nutrient policy for inland surface waters in California in 2014. The proposed policy will establish methods to develop numeric or narrative water quality objectives for nutrients. Currently, nutrient policy development is still on-going. Potential impacts of the policy on DCTWRP and LAGWRP may include the need for significant upgrades to the facilities and increased energy demand. Potential cost impacts are unknown at this time.

HWRP. HWRP’s 2017 NPDES permit imposes a new ammonia limit for the effluent. HWRP currently meets this effluent limit, but could have difficulty meeting the limit in the future. The potential impact would be to provide sidestream treatment to reduce ammonia in the effluent at an estimated capital cost of \$40 to \$50 million. Additionally, the City plans to recycle 100% of its treated wastewater by 2035. The anticipated change in discharge characteristics associated with implementing the proposed recycled water processes at HWRP will affect the provisions of the NPDES permit when it is reissued in 2022, as well as in subsequent permit renewals, and could lead to potential compliance issues with revised effluent limitations, if any such changes are made. Potential cost impacts are unknown at this time.

TIWRP. TIWRP’s NPDES permit was renewed in June 2021 and is in effect until July 2026. Among its provisions, discharges to the Los Angeles Outer Harbor are prohibited as of December 31, 2024 with the exception of the occasional discharge of tertiary-treated effluent and brine waste. This is consistent with the planned mode of operation.

TIWRP Advanced Water Purification Facility (AWPF). In October 1994, the LARWQCB adopted Resolution No. 94-009 approving the City’s proposal to ultimately phase out the discharge of tertiary-treated wastewater effluent from TIWRP into Los Angeles Harbor at the earliest practicable date and to implement a Water Recycling Program with the goal of achieving total recycled water reuse by 2020. TIWRP’s NPDES permit acknowledges the City’s intent to cease continuous discharge by 2020, but that there have been delays in LADWP obtaining recycled water customer agreements with the end users and completion of the recycled water distribution network of pipelines and pump stations with completion expected by 2024. There have been delays in the end users’ on-site improvements to use recycled water in their facilities.

IGP. The federal Clean Water Act requires ten (10) broad categories of industrial storm water discharges, including from wastewater reclamation facilities, to be covered by the NPDES General Permit for Storm Water Discharges Associated with Industrial Activities or Industrial General Permit (IGP). The City’s four water reclamation plants (DCTWRP, HWRP, LAGWRP, and TIWRP) are subject to the IGP. The IGP was amended in November 2018 and the adopted changes became effective on July 1, 2020. The changes include requirements to comply with receiving water limitations based on water quality standards and impose TMDL Numeric Effluent Limitations (“NEL”) (Los Angeles River TMDLs for nitrogen compounds, cadmium, copper, lead, and zinc) for stormwater discharges that are applicable DCTWRP and LAGWRP. Results from LAGWRP and DCTWRP stormwater sampling during the 2020-21 rain year indicate NEL exceedances for zinc. These NEL exceedances are in violation of the IGP, triggering the

potential assessment of Mandatory Minimum Penalties (“MMPs”) of \$3,000 per violation, administrative civil liabilities, and exposing the City to third-party lawsuits. The facilities are also required to implement Water Quality Based Corrective Actions. A solution to remediate exceedances is to retain on-site stormwater runoff and pump it to the headworks for subsequent treatment or discharge it to the sewer conveyance system. Depending on a facility’s layout, this could be accomplished simply (e.g., deploying sand bags and flexible berms) or could require structural improvements (e.g., pipe, pump, maintenance hole, etc.).

General. If the plants cannot meet future permit requirements, it is possible that the City may be required to install new treatment processes at a substantial cost to the City. The City cannot currently estimate the cost of such permit requirements, and such permit requirements are not included in the current Capital Improvement Program.

Per- and polyfluoroalkyl substances (“PFAS”) are constituents of emerging concern for the System. PFAS are fluorinated organic chemicals that have been extensively produced and studied in the United States and internationally. There are some accepted methods for accurately measuring and effectively removing PFAS contamination, but the science for both is still developing. Concurrently, calls to take corrective action are becoming more frequent and urgent, and numerous regulations and legislative measures are being proposed to limit the level of PFAS in the environment, including in the effluent from wastewater treatment plants. Consequently, future NPDES permits for the System’s four water reclamation plants may include discharge limits for PFAS. This may require the City to install treatment systems to remove PFAS in the effluent in order to comply, which may require significant expenditures by the City. On July 15, 2020, the SWRCB issued its PFAS Investigate Order to the System’s four plants to conduct PFAS sampling and analysis and to submit the results of the sampling. The activities included in that order are part of a statewide effort to (a) evaluate PFAS groundwater and surface water impacts, and (b) conduct a preliminary investigation of the mass loading of PFAS entering publicly owned treatment works (“POTW”) and then leaving the POTW in different media (treated wastewater, brine, biosolids). The total cost to comply with the order and any ensuing legal requirements is unknown at this time.

Wastewater Overflows

The City continuously develops and implements new programs and projects and enhances existing programs in order to reduce sanitary sewer overflows. Through Fiscal Year 2020-21, the combination of all of these efforts has helped the City achieve a 14% reduction in overflow incidents since Fiscal Year 2010-11 and an 85% reduction in overflow incidents since Fiscal Year 2000-01. Root-caused SSOs have been reduced by 10% since Fiscal Year 2010-11 as a result of focused chemical root-control and sewer cleaning programs. In addition, SSOs caused by fats, oils, and grease (FOG) have also been reduced. Nevertheless, in Fiscal Year 2020-21, the City experienced 109 overflows and major overflows continue to be a challenge.

On February 20 and 22, 2021, the System experienced two Sanitary Sewer Overflows (SSOs) related to the ongoing rehabilitations to the North Outfall Sewer (NOS). These two SSOs were a result of mechanical malfunctions on the bypass pumping system that was under the supervision of the contractor. The Los Angeles Regional Water Quality Control Board has not taken any enforcement actions as a result of the SSOs, and no fines have been levied on the City for Wastewater Spills for the Fiscal Year 2020-21. As of June 30, 2021, the System did not experience any SSO’s on the NOS or other large diameter sewers related to rainfall for Fiscal Year 2020-21.

On July 11, 2021, an excessive amount of debris accumulated on barscreens at the HWRP Headworks screening facility, resulting in the flooding of the plant and raw sewage overflow. HWRP’s

relief system was triggered and sewage flows were controlled through use of the plant's one-mile outfall and the discharge of over 17 million gallons of untreated sewage into Santa Monica Bay. [HRWP staff is currently assessing the damage and working to return the treatment process back to normal operations.] [UPDATE] The City is working cooperatively with State authorities on the investigation into this incident, including the determination of the origin of the excess debris. The City's insurance carrier has informed the City that the policy will respond to the reasonable and necessary costs associated with the restoration of the physically damaged real and personal property related to the incident, and any temporary repair or replacement thereof. As of December 1, 2021, the City has collected \$15 million of insurance proceeds related to the incident. As of such date, the City estimates that repairs were approximately 60% complete. A class action lawsuit has been filed against the City in connection with the incident. See LITIGATION - Certain Claims Against the SCM Fund - Mecklenburg v. Hyperion Water Reclamation Plant.” The City cannot determine at this time the extent of the financial impact of this incident as the costs of repairs to the facility and equipment, the amount of resulting fees and fines by regulatory agencies, the costs resulting from any litigation related to the incident, and other incidental costs/damages are currently unknown but such amounts are likely to be substantial.

RISK FACTORS

The ability of the City to pay principal of and interest on the Series 2022-C Subordinate Bonds depends primarily upon the receipt by the City of Revenues. Some of the events which could prevent the City from receiving a sufficient amount of Revenues to enable it to pay the principal of and interest on the Series 2022-C Subordinate Bonds are summarized below. The following description of risks is not intended to be an exhaustive list of the risks associated with the purchase of the Series 2022-C Subordinate Bonds and the order of the risks set forth below does not necessarily reflect the relative importance of the various risks.

Limited Obligations

The obligation of the City to pay debt service on the Series 2022-C Subordinate Bonds is a limited obligation of the City and is not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Revenues. The obligation of the City to pay debt service on the Series 2022-C Subordinate Bonds does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The City is obligated under the Resolutions to pay debt service on the Series 2022-C Subordinate Bonds solely from Revenues.

Factors that can adversely affect the availability of Revenues include, among other matters, drought, general and local economic conditions, and changes in law and government regulations (including initiatives and moratoriums on growth). The realization of future Revenues is also subject to, among other things, the capabilities of management of the City, the ability of the City to provide wastewater service to its retail customers and the Agencies, the ability of the City to establish, maintain and collect charges for the wastewater service to its retail customers and the Agencies and the ability of the City to establish, maintain and collect rates and charges sufficient to pay debt service on the Series 2022-C Subordinate Bonds. See “Financial Operations of the Wastewater System” herein and Appendix E attached hereto.

System Revenues and Expenditures

The operation and maintenance expenses of the System are expected to increase in the next five years. See “FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Projected Operation and Maintenance Expenses” herein. Actual operation and maintenance expenses may be greater or less than

projected. Factors such as changes in technology, regulatory standards, increased costs of material, energy, labor and administration can substantially affect System expenses. Although the City has covenanted to prescribe, revise and collect rates and charges for in amounts sufficient to pay debt service on the Series 2022-C Subordinate Bonds, there can be no assurance that such amounts will be collected. Increases in System rates could result in a decrease in demand for System usage.

Rate-Setting and Initiative Processes Under Proposition 218

Proposition 218 affects the City's ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of majority protest or initiative, the City might thereafter be unable to generate Revenues in the amounts required to pay debt service on the Series 2022-C Subordinate Bonds. See "FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Proposition 218" herein.

Proposition 218, as incorporated in the California Constitution under Article XIIC, also provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. See "Financial Operations of the Wastewater System – Proposition 218" herein. Notwithstanding the fact that the SSC may be subject to reduction or repeal by voter initiative undertaken pursuant to Section 3 of Article XIIC, the City has covenanted to establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System which meet the requirements of the Resolutions and in accordance with applicable law. No assurance can be given that the voters of the City will not, in the future, approve initiatives which seek to repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the City's SSC, which are a significant source of Revenues pledged to the payment of debt service on Series 2022-C Subordinate Bonds.

Potential Impact of Climate Change, Natural Disasters and Other Risks Relating to the System

Climate Change and Drought. 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, released in 2015 and renamed L.A.'s Green New Deal in 2019 (the "Plan"), 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 as drought conditions continue, 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 System has experienced reduced flows, which can lead to increased production of gases in sewers and odor complaints, which in turn can increase influent concentrations at wastewater reclamation facilities above design concentrations. The sewers and pumping plants can also be threatened by increased flooding risks, sinkholes, decreased flows, power outages, service disruptions, and other changes in subsurface conditions that are caused by the fluctuating climate extremes between wet and dry weather events. The City completed a *Climate Risk and Resilience Assessment for Wastewater and Stormwater Infrastructure* ("Assessment") as part of the Plan released in April 2018. This Assessment

summarized observed climate trends using the most current climate science and projections, to provide an overall assessment and recommendations for wastewater and stormwater infrastructure resilience through 2040. This Assessment included identifying existing facilities impacted by climate risk to incorporate upgrades as well as planning to integrate climate resiliency into existing wastewater and stormwater facility repair and replacements programs. The analysis from this Assessment is used to further develop strategies for climate risk and resiliency into the CIP business case and all Bureau of Sanitation programs including development of a climate risk and resilience adaptation planning tool. The Assessment estimated \$58 million in resilience improvement costs for wastewater and stormwater facilities that can avoid replacement or total loss cost of \$431 million. Incorporating climate risk and resiliency into existing Bureau of Sanitation programs could result in significant cost savings of at least 70% for one incident. These savings can increase with the amount of avoided costs of fully replacing facilities after major climate related impacts.

The City's clean water program is an important part of addressing water scarcity with planned enhancements of water purification capability at each of the City's water reclamation plants, such enhancements eventually will provide a continuous source of local water for local groundwater augmentation while reducing the greenhouse gas footprint associated with the City's imported water supply. The City is also contributing to climate resilience related to the System by mitigating climate-related risks with investments that increase its operational energy efficiency and renewable energy use at its plants. Through enhanced plant operations and processes, the Bureau of Sanitation recovers energy from wastewater, and converts biosolids into carbon-sequestering crops, compost and mulch to restore soils and ecosystems throughout the City. As climate resiliency is being integrated into existing projects and programs, further analyses of the projected costs (to be expended and to be avoided) will be performed.

In 2018 and 2019, the California State Legislature enacted, and the respective Governors signed, three long-term water use efficiency bills, Senate Bill 606 (2018), Assembly Bill 1668 (2018) and Assembly Bill 1414 (2019), to establish a new foundation for long-term improvements in water conservation and drought planning to adapt to climate change and the resulting longer and more intense droughts in California. The legislation sets standards for indoor residential use and requires the State Water Resources Control Board, in coordination with the Department of Water Resources, to adopt efficiency standards for outdoor residential use, water losses, and commercial, industrial and institutional outdoor landscape areas with dedicated irrigation meters. All new requirements for urban water use objectives are effective after June 2022 when the State Water Resources Control Board adopts urban water use efficiency standards, performance measures, and variances.

The State's and City's recent drought conditions have prompted various actions to reduce water consumption. The City approved rates which increased through Fiscal Year 2020-21. These rates and future rates and charges are predicated on assumptions of expected volume of wastewater operation. If the water supply decreases significantly, whether by operation of mandatory supply restrictions, prohibitively high water costs or otherwise, flow within the System will diminish and Revenues may be adversely affected. In the past, the City reduced funding for CIP projects in response to the expected reduction in wastewater volume and Revenues, and although the funding has since been restored because of continued rate increases, implementation of reduced funding for CIP projects may be required again in the future. Following a significant decline in water usage Fiscal Years 2014-15 to 2015-16 due to drought-related water conservation measures, declines of sewage volume due to water conservation have continued at a reduced rate. Revenues are projected assuming the continued net annual reduction of billable sewage volume of 0.44% from Fiscal Years 2021-22 through 2023-24, and no further projected volume reductions due to conservation efforts starting in Fiscal Year 2024-25. No assurance may be made regarding the potential impact of the present or any future drought on the System's financial condition. See "FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM – Water Usage – *General*"

herein.

Earthquakes. 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 System is located above or near a number of geological faults capable of generating significant earthquakes. The area is characterized by a number of geotechnical conditions which represent potential safety hazards, including expansive soils and areas of potential liquefaction and landslide. In anticipation of such potential disasters, the City designs and constructs System facilities to the seismic codes in effect at the time of design of the project.

In January 1994, an earthquake of magnitude 6.7 on the Richter Scale occurred in the northwest San Fernando Valley on a previously unmapped fault. It caused widespread damage to commercial and residential structures. Significant damage occurred to the System however sewer service was not interrupted. Pipe fractures were detected using closed circuit television cameras and some portions of the pipe collapsed. The City estimates that repairs to the System in connection with this earthquake cost approximately \$213 million at the time (not adjusted for inflation).

Although the City has implemented disaster preparedness plans, there can be no assurance that these or any additional measures will be adequate in the event that a natural disaster occurs, nor that costs of preparedness measures will be as currently anticipated. Further, damage to components of the System could cause a material increase in costs for repairs or a corresponding material adverse impact on Revenues. The City is not obligated under the Resolutions to maintain earthquake insurance on the System, and the City does not now and does not plan to maintain earthquake insurance on the System.

Wildfires. Water conveyance facilities generally consist of pipelines and connections, flow control facilities, and pumping stations, which are not typically vulnerable to damage by wildfires. The above ground facilities within the System are designed to be tolerant to damage by wildfires through the use of fire resistant material where possible, such as concrete and masonry blocks. In addition, the Bureau of Sanitation works closely with the City's fire department to ensure that proper vegetative clearances are maintained in and around the properties and facilities of the System. The City watches for wildfires that may threaten the facilities and operation of the System, and operations and maintenance crews are dispatched to ensure that all above-ground facilities remain safe and operational.

Sewer Failure. The System is subject to potential failures of its collection and conveyance sewers that can result in unexpected repair costs, litigation expenses and regulatory fines. See, for example, "REGULATORY REQUIREMENTS AFFECTING OPERATION OF THE SYSTEM – Wastewater Overflows" herein. Although the CIP includes projects to rehabilitate major conveyance sewers, no assurance can be given that future sewer failures will not occur.

On July 11, 2021, a wastewater overflow occurred at HWRP. See "REGULATORY REQUIREMENTS AFFECTING OPERATION OF THE SYSTEM – Wastewater Overflows" herein. The City cannot determine at this time the extent of the financial impact of this incident as the costs of repair to the facility and equipment, the amount of resulting fees and fines by regulatory agencies, and other incidental costs and/or damages are currently unknown but such amounts are likely to be substantial.

Statutory and Regulatory Compliance

Changes in the scope and standards for public agency wastewater systems, such as the System, may lead to increasingly stringent operating requirements and the imposition of administrative orders issued by Federal or State regulators. Future compliance with such requirements and orders can impose substantial additional costs on the SCM Fund. See “REGULATORY REQUIREMENTS AFFECTING OPERATION OF THE SYSTEM” herein. In addition, claims against the System for failure to comply with applicable laws and regulations could be significant. Such claims are payable from assets of the System or from other legally available sources. No assurance can be given that the cost of compliance with such existing or future laws, regulations and orders would not adversely affect the ability of the System to generate Revenues sufficient to pay debt service on the Subordinate Bonds, including the Series 2022-C Subordinate Bonds.

Utility Costs

No assurance can be given that any future significant reduction or loss of power would not materially adversely affect the operations of the System. The volume of wastewater conveyed and treated in the System on a daily basis requires a significant amount of electrical and thermal power. Electricity is needed to run pumps, lights, computers, mechanical valves and other machinery. Thermal energy, usually generated by electrical power or by burning natural gas, provides heat and cooling necessary for both buildings and the wastewater treatment process. Prices for electricity or gas may increase, which could adversely affect the System’s financial condition. The System partially migrates this uncertainty with its cogeneration facility at HWRP, which converts biogas into power in amounts roughly equivalent to HWRP’s electrical demand.

Impact of Economic Conditions on System Revenues

Past recessions and major economic disruptions, including disruptions caused by the COVID-19 pandemic, have adversely affected economic activity of the region in general, in particular resulting in decreased economic activity and increased unemployment. The City cannot predict how long the economic downturn caused by the COVID-19 pandemic will last or the extent of the fiscal problems that will be encountered in any future economic downturn. Reduction in System users’ ability to pay rates and charges, and reduction in the rate at which new customers are added to the System, can adversely impact System Revenues.

Infectious Disease Outbreak and Potential Impacts of COVID-19

The City’s operations and financial results could be harmed by a national or localized outbreak of a highly contagious or epidemic disease, such as the current COVID-19 pandemic. The City cannot predict any costs associated with the potential response to an infectious disease outbreak.

The outbreak of COVID-19 has had an adverse effect on, among other things, the national and local economies, 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 action designed to mitigate the spread of COVID-19. These measures included the imposition by the State of the Regional Stay Home Order in March 2020, which required those in regions in the “widespread” risk level (including the City) to, among other things, close many non-essential indoor business operations and stay home or at their place of residence except as necessary to conduct activities. On January 25, 2021, the State’s Regional Stay at Home Order was lifted, and counties returned to their applicable tier under the State’s Blueprint for a Safer Economy plan for reopening certain

businesses and 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 vaccinations against COVID-19 have been approved and are now being 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 re-imposed in the future, depending on the course of the pandemic and other factors.

The City cannot predict (i) the duration or extent of the COVID-19 outbreak; (ii) to what extent the COVID-19 outbreak may affect the operations and revenues of the System; (iii) to what extent COVID-19 may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact System-related construction, the cost, sources of funds, schedule or implementation of the System's capital improvement program, or other System operations; (iv) to what extent the City may provide additional deferrals, forbearances, adjustments or other changes to its customers or LADWP's billing and collection procedures; or (v) whether any of the foregoing may have a material adverse effect on the finances and operations of the System. Prospective investors should consider that the restrictions and limitations instituted related to COVID-19 may increase (even after they are decreased), and the upheaval to the national and global economies may continue and/or be exacerbated, at least over the near term, and the recovery may be prolonged, and therefore, COVID-19 may adversely impact System revenues.

See "IMPACTS OF THE COVID-19 PANDEMIC" and "FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM—Billing and Collection."

Acceleration; Limitations on Remedies

The Senior General Resolution and the Subordinate General Resolution provide that, upon and during the continuance of an Event of Default, the principal of and interest accrued on all Senior Lien Bonds and Subordinate Bonds, respectively, subject to certain conditions, may be declared to be due and payable immediately. The foregoing notwithstanding, the remedy of acceleration is subject to the limitations on legal remedies against public entities in the State, including a limitation on enforcement obligations against funds needed to serve the public welfare and interest. Also, any remedies available to the Owners of the Series 2022-C Subordinate Bonds upon the occurrence of an Event of Default under the respective Resolutions are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Further, enforceability of the rights and remedies of the Owners of the Series 2022-C Subordinate Bonds may become subject to (i) the Federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, (ii) equity principles which may limit the specific enforcement of certain remedies, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the exercise of the state police powers. Remedies available to the Owners of the Series 2022-C Subordinate Bonds are in many respects dependent upon judicial action which is often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Effect of Federal Sequestration on Refundable Credits

The Refundable Credits payable by the Federal government in connection with the Series 2010-A Senior Lien Bonds and Series 2010-B Senior Lien Bonds are subject to reduction pursuant to existing federal law, which requires that the federal budget authority for all accounts in the domestic mandatory spending category, including payments to issuers of direct-pay bonds such as the City, be reduced beginning federal fiscal year 2013 (the "Sequestration"). Prior to March 1, 2013, the City received

Refundable Credits from the United States Treasury equal to 35% of the interest payable on the Series 2010-A Senior Lien Bonds and periodic Refundable Credits from the United States Treasury equal to 45% of the interest payable on the Series 2010-B Senior Lien Bonds. As a result of the Sequester (herein defined) the City expects to receive an estimated \$335,810 reduction in Refundable Credits in connection with the Series 2010-A Senior Lien Bonds and the Series 2010-B Senior Lien Bonds for the current federal fiscal year ending September 30, 2021, and \$335,810 for the federal fiscal year ending September 30, 2022. The Refundable Credits are pledged only to the payment of the Series 2010-A Senior Lien Bonds and Series 2010-B Senior Lien Bonds. The Resolutions provide for an offset to debt service on the Direct Subsidy Bonds and a corresponding offset to Revenues in the amount of the Refundable Credits. The City has paid and will continue to pay debt service on its Bonds without accounting for the Refundable Credits expected to be received from the Federal government. The reduction in the amount of Refundable Credits from the Federal government reduces the amounts available to pay debt service on the Direct Subsidy Bonds. However, such reduction is not expected to materially adversely impact the City's ability to pay debt service on the Series 2022-C Subordinate Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022-C SUBORDINATE BONDS – Amendment to the Resolutions Relating to the Refundable Credits" herein.

Security of the System

The System is subject to safety and security inspections on a continuing basis by the City. All four water reclamation plants in the System are maintained as secured facilities, with fences, gates and security guards. All pumping plants with above-ground structures have security fences. Subterranean pumping plants have padlocked hatches. Improved communications systems are being implemented. However, damage to the System resulting from vandalism, sabotage, or terrorist activities may adversely impact the operations and finances of the System. There can be no assurance that the City's security, emergency preparedness and response plans will be adequate to prevent or mitigate such damage, or that the costs of maintaining such security measures will not be greater than currently anticipated. The City has established the Emergency Fund, which may be used by the City, if other funds are not readily available and sufficient, to pay extraordinary and unexpected repair or replacement expenses of the System or liability claims related to the System. See also "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022-C SUBORDINATE BONDS – Insurance and Condemnation" herein for a description of insurance for the System.

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 Los Angeles Police Department 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 a web application firewall and an endpoint protection system to quickly identify and respond to cyber-attacks targeted at its 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 composed 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.

In addition to the City cybersecurity preparations, the Bureau of Sanitation Wastewater Industrial Control Systems (“ICS”) network is firewalled from the rest of the City’s business network. This design is consistent with the Department of Homeland Security’s recommended secure network architecture and provides the Bureau of Sanitation with extra layers of protection against possible cyber threats that may impact ICS. The Bureau of Sanitation is an active member of the City’s CICC, conducts regular employee cybersecurity awareness training, and makes on-going investments through our Capital Equipment Replacement Program to improve the Bureau of Sanitation Information Technology and cybersecurity infrastructures including but not limited to replacing end-of-life equipment to ensure that security patches are available, deploying/upgrading intrusion prevention/detection systems, end-point protection, security event and incident management, and cybersecurity monitoring. The Bureau of Sanitation Cybersecurity team also engages directly with the Department of Homeland Security Industrial Control Systems Cyber Emergency Response Team, and conducts assessments and mitigation strategies as appropriate. The Bureau of Sanitation also actively participates in the annual Cybersecurity Tabletop Exercise facilitated by the Department of Homeland Security to test and enhance cyber incident response capabilities.

In 2011, the City undertook a security upgrade project to secure the DCS from all accidental and malicious attacks using best management practices and utilizing appropriate technologies and best secure network designs. The upgrades sought to protect all entry points and to logically separate all facility DCSLANs (collectively DCS Network) from the Bureau of Sanitation Business Network on physically separated network devices. The system is designed so there is only one access point between the DCS Network and the business network. Network management software monitors all devices on the DCS Network. Antivirus software monitors the DCS Network and virus files are maintained to the current status to detect malicious code, prevent it from infecting the system, and remove malicious code that has infected the system.

An isolation zone (“DMZ”) between the protected DCS Network and external users has been established. As a result, all interface of the DCS Network to the business network (Remote Network) are through the DMZ.

Loss of Tax Exemption

As discussed under “TAX MATTERS,” interest on the Series 2022-C Subordinate Bonds could fail to be excluded from the gross income of the owners thereof for purposes of federal income taxation retroactive to the date of the issuance of the Series 2022-C Subordinate Bonds as a result of future acts

or omissions of the City in violation of its covenants to comply with requirements of the Internal Revenue Code of 1986, as amended (the “Code”). Should such an event of taxability occur, the Series 2022-C Subordinate Bonds are not subject to redemption or any increase in interest rate as a result of such event of taxability.

Change in Tax Law

As discussed under “TAX MATTERS,” current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2022-C Subordinate Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest.

Senior and Parity Debt

As described in “SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2022-C SUBORDINATE BONDS – Additional Subordinate Bonds” and “- Additional Senior Lien Bonds” above, if certain conditions are met, the Subordinate General Resolution and the Senior General Resolution, respectively, permits the City to incur obligations which would be payable on parity with or senior to the Series 2022-C Subordinate Bonds, as applicable. In the event of a decline in Net Revenues, the existence of the parity and senior obligations could adversely affect the City’s ability to make debt service payments with respect to the Series 2022-C Subordinate Bonds.

Uncertainties of Projections, Forecasts and Assumptions

Certain information contained in this Official Statement is based upon assumptions and projections. Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, such projections are not necessarily indicative of future performance, and the City assumes no responsibility for the accuracy of such projections. See the caption “INTRODUCTION — Forward-Looking Statements.”

TAX MATTERS

Series 2022-C Subordinate Bonds

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 Series 2022-C Subordinate 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 Series 2022-C Subordinate Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2022-C Subordinate Bonds. Pursuant to the Resolutions and the Tax Certificate executed by the City (the “Tax Certificate”), the City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2022-C Subordinate Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the City has made certain representations and certifications in the Resolutions 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 City described above, interest on the Series 2022-C Subordinate 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 Series 2022-C Subordinate 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 Series 2022-C Subordinate Bonds nor as to the taxability of the Series 2022-C Subordinate 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 Series 2022-C Subordinate Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Series 2022-C Subordinate 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 Series 2022-C Subordinate 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. Series 2022-C Subordinate 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 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 Series 2022-C Subordinate 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 Series 2022-C Subordinate 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 Series 2022-C Subordinate Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2022-C Subordinate 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 Series 2022-C Subordinate 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 F. 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 Series 2022-C Subordinate 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 Series 2022-C Subordinate Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2022-C Subordinate 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 Series 2022-C Subordinate 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 Series 2022-C Subordinate Bonds may occur. Prospective purchasers of the Series 2022-C Subordinate Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2022-C Subordinate 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 Series 2022-C Subordinate Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2022-C Subordinate Bonds, or the interest thereon, if any action is taken with respect to the Series 2022-C Subordinate Bonds or the proceeds thereof upon the advice or approval of other counsel.

CONTINUING DISCLOSURE

In order to provide certain continuing disclosure with respect to the Series 2022-C Subordinate Bonds in accordance with the Rule, the City has executed a Continuing Disclosure Certificate (“Disclosure Certificate”) for the benefit of the Owners of the Series 2022-C Subordinate Bonds, pursuant to which Digital Assurance Certification, L.L.C. will serve as the initial dissemination agent. The form of Disclosure Certificate is attached hereto as Appendix H.

Under the Disclosure Certificate, the City will covenant for the benefit of Owners and Beneficial Owners of the Series 2022-C Subordinate Bonds to provide certain annual financial information and operating data, including its audited financial statements for the SCM Fund, relating to the System by not later than June 30 of each Fiscal Year, commencing on June 30, 2023 for the report for Fiscal Year 2021-22, or if the fiscal year-end changes from June 30, not later than 365 days after the end of the City’s Fiscal Year (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Listed Events”). The Annual Reports and notices of Listed Events will be filed pursuant to the Rule with the Electronic Municipal Market Access (“EMMA”) database. These covenants will be made in order to assist the Underwriters of the Series 2022-C Subordinate Bonds in complying with 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 lease revenue bonds and notes issued through the Municipal Improvement Corporation of Los Angeles), 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 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 notices within 10 days of the incurrence of the Purchase and Assignment Agreement with the Corporation and Banc of America Public Capital Corporation in accordance with certain of the City’s continuing disclosure undertakings. On October 24, 2019, the City filed notice of the incurrence of this agreement 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 2015 through 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.

LITIGATION

There is no controversy of any nature now pending against the City or, to the knowledge of its respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2022-C Subordinate Bonds or in any way contesting or affecting the validity of the Series 2022-C Subordinate Bonds or any proceedings of the City 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 Series 2022-C Subordinate Bonds or the use of the proceeds of the Series 2022-C Subordinate Bonds. There are no pending lawsuits that in the opinion of the City Attorney challenge the validity of the Series 2022-C Subordinate Bonds, the corporate existence of the City, or the title of the executive officers to their respective offices.

Certain Claims Against the SCM Fund

The City is routinely a party to a variety of pending and threatened lawsuits and administrative proceedings, including those that may affect the SCM Fund of the City. The Office of the City Attorney

has prepared the following summary, as of November 30, 2021 of certain claims and lawsuits (with a potential loss exceeding \$1 million) pending against the City that affect the SCM Fund for construction claims and certain other alleged liabilities arising during the ordinary course of operations of the System.

Hoffman v. City. The case is a putative class action lawsuit challenging the City’s calculation of the annual, fiscal year Dry Winter Compensation Factor (“DWCF”) relating to residential sewer service charges. The City has utilized a “Winter Water Use” method since 1997. The method assumes that while most water delivered during the winter season to a residence is returned to the sewer system, some is used for landscape irrigation (and therefore does not go down the sewer). A residential customer’s sewage volume is calculated by multiplying the resident’s lowest average daily water use in winter by the DWCF. The complaint alleges the City is charging too much for residential sewer service charges based on a miscalculation of the DWCF and seeks a refund of any such overpayments.

There are four causes of action alleged in the lawsuit (accounting, monies had and received, declaratory relief, and violation of Proposition 218/Article 13D of the California Constitution).

A court trial proceeded in this matter in February and March 2021, and the court’s Statement of Decision was served on June 30, 2021. The court determined the City did not comply with the applicable Los Angeles Municipal Code Section and the Board of Public Works Rules and Regulations in setting the DWCF, and overcharged residential customers. The court further determined that the annual DWCF determination resulted in a “new or increased fee” under Proposition 218, which mandated the City to provide customers with notice and an opportunity to protest the annual DWCF determination, which the City did not do.

A later trial (for which date not yet set) is anticipated to proceed on plaintiffs’ Proposition 218 “substantive violation” claim (i.e., whether the City used the revenues derived from residential sewer services charges for non-sewer related purposes) and their damages.

Potential damages in this case for all causes of action related to this litigation will be subject to discovery and expert opinion, which has not yet been performed, and may be in the range of, or excess of, \$180 million, plus possible revenue loss per year in the future. The parties have agreed to attempt to mediate this matter, with mediation scheduled for late January 2022.

Mecklenburg v. Hyperion Water Reclamation Plant. On July 30, 2021, El Segundo resident Susan Mecklenburg filed a class action complaint against the City related to the July 11, 2021 incident involving HWRP. Under various tort theories (primarily negligence and nuisance), the putative class plaintiff generally alleges that the City’s operation, management, supervision, control and repairs of HWRP have been unreasonable or problematic in a number of ways, including having ineffective emergency plans or emergency discharge prevention practices; inadequate inspections or evaluations in regard to plant safety; poor planning, prevention, or reaction to the overflow event; and failures to issue prompt notifications including to the public of the event, among other factual allegations. The plaintiff alleges that the foregoing caused or contributed to the July 11, 2021 sewage discharge incident from HWRP and the alleged odors impacting the surrounding community since. The class action complaint does not seek a specific sum of damages. The complaint was served on August 3, 2021. The City is currently evaluating the claims and there is currently no estimate of any potential liability.

Jessy Hernandez v. City of Los Angeles. The incident giving rise to the claim occurred on April 1, 2018, when Jesse Hernandez (sometimes spelled Jessy), who was 13 years old at the time, and some of his cousins were playing in an abandoned concrete maintenance shack near the Griffith Park’s Travel Town area. While in the shack, Jesse fell about 25 feet into a sewer pipe containing toxic water. Jesse was subject to untreated sewer for approximately 13 hours until he was rescued. A claim on Jesse’s behalf has

been submitted to the City, seeking damages in the amount of \$5,000,000. Based on plaintiff's medical record and a psychological report, the range of exposure in this case is \$125,000 to \$750,000. Evaluation of the potential exposure in this case may change as the City learns more through depositions, medical evaluations of the plaintiff and through other experts. Trial is scheduled for June 24, 2022.

6th Street Bridge Sewage Overflow. On July 18, 2016, 2,630,754 gallons of untreated sewage overflowed by the 6th Street Bridge. The State Water Resources Control Board and Regional Water Quality Control Board proposed a penalty on the City in the amount of \$2,971,635. The City is engaged in ongoing settlement discussions with the State in an attempt to resolve this matter.

Miles v. City. The case is a class action (certified on February 28, 2019) by sewer maintenance workers seeking compensation and penalties for claimed missed meal and rest breaks under the California wage order associated with the transportation industry under the California Labor Code.

The City filed a motion for summary judgment, which was granted by the Court. The Court entered summary judgment in favor of the City on June 10, 2019. Plaintiffs sought leave to file a fifth amended complaint, which the City opposed. The Court denied the plaintiffs' motion, and entered final judgment in the City's favor on June 25, 2019. Plaintiffs filed an appeal. On October 28, 2020, the Court of Appeals published its opinion, affirming the trial court's rulings in favor of the City. On December 2, 2020, Plaintiffs filed a petition for review with the California Supreme Court. Potential exposure in this case is in the \$10 million to \$15 million range, but the City believes plaintiffs' probability of success on appeal is low.

LaSalle v. City. Plaintiff sued the City and two employees alleging roughly a dozen causes of action based on race: California Fair Employment and Housing Act ("FEHA") discrimination, harassment-hostile work environment, retaliation, failure to prevent racial discrimination, assault and battery, discrimination in violation of the Ralph Civil Rights of 1976, Civil Code Section 51.7, intentional infliction of emotional distress, whistleblower retaliation for reporting Labor Code Sections 6310, 6400-6404 reporting health and safety issues, and whistleblower retaliation under Labor Code Section 1102.5. The estimated potential loss is in the range of \$2 to \$5 million but it is still early in the litigation to determine how likely (and in what amount) liability will be. Trial is set for May 9, 2022.

Pierson v. City. Plaintiff, a Wastewater Collection Supervisor, alleges eighteen cause of action against the City and a City employee based on his status as a sergeant in the U.S. Army and currently as a member of the California Army National Guard under the FEHA, including the California Family Rights Act, California Military & Veteran Code, and the Uniformed Services Employment and Reemployment Rights Act ("USERRA"). He claims that the City retaliated against him for testifying in the case where the jury returned a \$17 million verdict (*Pearl v. City* case), harassed and discriminated against him for using family leave. He alleges that the City did not return him to the workstation that he occupied when he returned from military assignment, and that he has not been promoted to emergency or acting Wastewater Manager. He claims FEHA disability discrimination, harassment, and retaliation based on physical disability and post-traumatic stress disorder, along with retaliation under Labor Code Section 1102.5 and violations of the California Military & Veterans Act and USERRA. The case has been set for trial on February 28, 2023. It is still early in the litigation to determine how likely (and in what amount) liability will be but liability in typical retaliation and FEHA disability cases may range from \$1 million to \$2.5 million.

Fajardo v. City. Plaintiff, an employee of the Bureau of Sanitation, alleges sixteen causes of action against the City and a former City employee with claims of retaliation for previously filing a lawsuit against the City that was settled in 2013, taking intermittent leave to take care of his disabled son, advocating for the promotion of Chicanos and raising concerns about "illegal" or "improper" work

assignments. Plaintiff alleges protected characteristics of identifying as Chicano and being associated with his disabled son. Plaintiff seeks both monetary and non-monetary damages, but has not identified any specific amounts. The City has filed a motion for summary judgment which is scheduled to be considered by the court in December 2021. Trial is scheduled for April 2022 for any causes of action that are not dismissed by summary judgement. The estimated range of potential liability for the City is between \$100,000 to \$3,000,000.

LEGAL OPINION

The validity of the Series 2022-C Subordinate Bonds and certain other matters are subject to the approval of legality by Nixon Peabody LLP, Bond Counsel to the City. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix F attached hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by Kutak Rock LLP, Disclosure Counsel, and by Michael N. Feuer, City Attorney, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), Fitch Ratings ("Fitch") and Kroll Bond Rating Agency have assigned the Series 2022-C Subordinate Bonds their ratings of "[]," "[]" and "[]," respectively. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: S&P Global Ratings, 55 Water Street, New York, New York 10041; Fitch Ratings, One State Street Plaza, New York, New York 10004; and Kroll Bond Rating Agency, 845 Third Avenue, Fourth Floor, New York, New York 10022. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2022-C Subordinate Bonds.

UNDERWRITING

The Series 2022-C Subordinate Bonds are being purchased by Jefferies LLC ("Jefferies"), as representative of itself and Goldman, Sachs & Co., Inc., Cabrera Capital Markets, LLC, Drexel Hamilton, LLC, Morgan Stanley & Co. LLC and Siebert Williams Shank & Co., LLC (collectively, the "Underwriters") at a price of \$_____ (which amount represents the principal amount of the Series 2022-C Subordinate Bonds of \$_____, [plus/minus] an original issue [premium/discount] of \$_____, and less an aggregate underwriters' discount of \$_____). The Underwriters may offer and sell the Series 2022-C Subordinate Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

The following paragraphs have been provided by the Underwriters:

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, the underwriter of the Series 2022-C Subordinate Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may

distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2022-C Subordinate Bonds.

Jefferies has entered into a distribution agreement with InspereX LLC (“InspereX”) for the retail distribution of municipal securities. Pursuant to the agreement, if Jefferies sells the Bonds to InspereX, it will share a portion of its selling concession compensation with InspereX.

Certain of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISORS

Public Resources Advisory Group and KNN Public Finance have served as Municipal Advisors to the City in connection with the issuance of the Series 2022-C Subordinate Bonds. The Municipal Advisors have assisted the City in matters relating to the planning, structuring, issuance and sale of the Series 2022-C Subordinate Bonds. The Municipal Advisors have not audited, authenticated or otherwise independently verified the information set forth in the Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information. The Municipal Advisors make no guaranty, warranty or other representation respecting accuracy and completeness of the Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent, Causey, Demgen & Moore, Inc., Denver, Colorado, will verify as to the Escrow Fund, the mathematical accuracy as of the date of issuance of the Series 2022-C Subordinate Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the investment of cash and certain U.S. Treasury securities will be sufficient to pay in full, when due, the principal, interest and call premium payment requirements, if any, of the Series 2012 Refunded Bonds.

The report of the Verification Agent will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

FINANCIAL STATEMENTS AND DEBT SERVICE COMPLIANCE REPORTS

The SCM Fund Financial Statements and Required Supplementary Information for the Fiscal Years ended June 30, 2021 and 2020 (With Independent Auditor's Report Thereon) and the SCM Fund Debt Service Compliance Report for the Fiscal Year ended June 30, 2020 (With Independent Auditor's Report Thereon) are included as Appendix E. The financial statements of the SCM Fund for the Fiscal Year ended June 30, 2021 and the SCM Fund Debt Service Compliance Report for the Fiscal Year ended June 30, 2021 have been audited by Macias Gini & O'Connell LLP ("Macias"), independent certified public accountants, as stated in their report. Macias has not consented to the inclusion of its reports in Appendix E and Macias has not undertaken to update its reports 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 with respect to any event subsequent to the date of its reports.

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MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the City.

There are appended to this Official Statement a summary of certain provisions of the Resolutions, a glossary of defined terms, a glossary of System terms, Audited Financial Statements of the SCM Fund, the proposed form of opinion of Bond Counsel, and a general description of the City and a description of the Book-Entry Only System. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Series 2022-C Subordinate Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All references to the City Charter and the Resolutions are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to such laws and such documents for a full and complete statement of such provisions.

CITY OF LOS ANGELES

By: _____
Assistant City Administrative Officer

APPENDIX A

CERTAIN INFORMATION REGARDING THE CITY OF LOS ANGELES

The information contained in Appendix A is provided as general information regarding the City of Los Angeles. Investors are advised that no funds or other financial resources of the City discussed in Appendix A are pledged to the payment of the Series 2022-C Subordinate Bonds. The Series 2022-C Subordinate Bonds are limited obligations secured by and payable only from the sources of funds described in the Official Statement. See “Security and Sources of Payment for the Series 2022-C Subordinate Bonds” in the forepart of this Official Statement.

APPENDIX B
GLOSSARY OF DEFINED TERMS
[TO BE PROVIDED]

APPENDIX C
SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS
[TO BE PROVIDED]

APPENDIX D

GLOSSARY OF SYSTEM TERMS

The following are definitions of certain terms used in the Official Statement with respect to the System.

“Agencies” means the agencies, including the Cities of Beverly Hills, Burbank, Culver City, El Segundo, Glendale, La Cañada Flintridge, Long Beach, San Fernando and Santa Monica, the Crescenta Valley Water District, the Las Virgenes Municipal Water District, several Los Angeles County Sanitation Districts, the community of Marina Del Rey and Universal City, to which the City currently provides wastewater conveyance, treatment and disposal services on a wholesale basis pursuant to Universal Terms Contracts.

“Authorizations” means, collectively, the City Charter of the City of Los Angeles, and the authority of elections held in the City in 1987, 1988 and 1992, under which the voters of the City authorized the issuance of wastewater system revenue bonds and notes in an aggregate principal amount of \$3,500,000,000.

“BMPs” means best management practices.

“BOD” means biochemical oxygen demand whose strengths are measured as part of the QSF.

“CARB” means the California Air Resources Board.

“CIP” means the Wastewater System Capital Improvement Program.

“CIS” means the Coastal Interceptor Sewer.

“Clean Water Act” means the Federal Water Pollution Control Act as amended.

“COS” means the Central Outfall Sewer.

“DCTWRP” means the Donald C. Tillman Water Reclamation Plant.

“Entities” means, collectively, the 29 sanitation districts, cities, governmental entities and private businesses adjoining the City, which are provided wastewater conveyance, treatment and disposal services by the System.

“FEMA” means the Federal Emergency Management Agency.

“FOG Control Program” means the Fats, Oils and Grease Control Program, a commercial and industrial grease control ordinance implemented by the City.

“HWRP” means the Hyperion Water Reclamation Plant.

“IU” means Industrial User.

“LADWP” means the Department of Water and Power of the City of Los Angeles.

“LAGWRP” means the Los Angeles – Glendale Water Reclamation Plant.

“LARWQCB” means the Los Angeles Regional Water Quality Control Board.

“mgd” means million gallons per day.

“NOS” means the North Outfall Sewer.

“NPDES” means the National Pollutant Discharge Elimination System.

“OM&R” means the operation and maintenance costs, including renewal and replacement, of the System.

“POTWs” means publicly owned treatment works.

“PRC” means Program Review Committee consisting of the Bureau of Sanitation Director and Assistant Directors and a Deputy City Engineer, which annually evaluates the CIP and meets monthly to consider any changes affecting the scope, cost, schedule, and overall implementation of the program.

“QSF” means the Quality Surcharge Fee assessed on users of the wastewater system whose wastewater discharge strength, as measured by SS and BOD, is higher than 265 milligrams per liter of BOD and/or 275 milligrams per liter of SS (domestic strength).

“SCAP” means the Southern California Alliance of Publicly Owned Treatment Works, which consists of the Los Angeles and Orange County Sanitation Districts, the City, and many smaller cities and other jurisdictions, which meet periodically to coordinate efforts to develop a unified strategy and to address air quality issues related to POTWs.

“SCAQMD” means the South Coast Air Management District.

“SCM Fund” means the City’s Sewer Construction and Maintenance Fund, which is comprised of the Sewer Construction and Maintenance Fund, Sewer Operation and Maintenance Fund and the Sewer Capital Fund established under the City’s municipal code as special funds in the City’s treasury.

“SDC” means Sewage Disposal Contracts.

“SFC” means the Sewerage Facilities Charge, which is designed to recover the cost of the System capacity required by new sewer connections and increases in capacity required by current System users.

“SIU” means Significant Industrial User.

“SRF” means the Clean Water State Revolving Fund.

“SS” means suspended solids whose strengths are measured as part of the QSF.

“SSC” means the Sewer Service Charge imposed by the City in connection with wastewater discharged into the System.

“SSRP” means the City’s Secondary Sewer Renewal Program.

“SWRCB” means the California State Water Resources Control Board.

“TIWRP” means the Terminal Island Water Reclamation Plant.

“TMDLs” means total maximum daily loads, whose processes are developed by the LARWQCB and regulated by the Clean Water Act.

“WSC” means Wastewater Service Contracts.

APPENDIX E

CITY OF LOS ANGELES SEWER CONSTRUCTION AND MAINTENANCE FUND FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020 (WITH INDEPENDENT AUDITOR'S REPORT THEREON) AND DEBT SERVICE COMPLIANCE REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (WITH INDEPENDENT AUDITOR'S REPORT THEREON)

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

*Upon issuance of the Series 2022-C Subordinate Bonds, Nixon Peabody LLP, Los Angeles, California, Bond Counsel to the City of Los Angeles, will render its approving opinion with respect to the Series 2022-C Subordinate Bonds in substantially the following form: **[BOND COUNSEL TO PROVIDE FORM OF OPINION]***

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix G concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s Book-Entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2022-C Subordinate Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2022-C Subordinate Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2022-C Subordinate Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The City, the Paying Agent and the Underwriters are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2022-C Subordinate Bonds or an error or delay relating thereto. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company, New York, NY, will act as securities depository for the Series 2022-C Subordinate Bonds. The Series 2022-C Subordinate 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 certificate will be issued for each maturity of each Series of the Series 2022-C Subordinate Bonds, each in the aggregate principal amount of such maturity of such issue, and will be deposited with DTC.

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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National 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 Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2022-C Subordinate Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022-C Subordinate Bonds on

DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2022-C Subordinate 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 Series 2022-C Subordinate Bonds, except in the event that use of the book-entry system for the Series 2022-C Subordinate Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022-C Subordinate Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2022-C Subordinate Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022-C Subordinate Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022-C Subordinate Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2022-C Subordinate Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2022-C Subordinate Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Series 2022-C Subordinate Bonds may wish to ascertain that the nominee holding the Series 2022-C Subordinate 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.

While the Series 2022-C Subordinate Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2022-C Subordinate Bonds of a maturity 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2022-C Subordinate 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 City 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 Series 2022-C Subordinate Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Interest on, principal and redemption price of, and other payments on the Series 2022-C Subordinate 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, 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 City or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, 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.

Beneficial Owner shall give notice to elect to have its Series 2022-C Subordinate Bonds purchased or tendered, through its Participant, to the City’s designated agent, and shall effect delivery of such Series 2022-C Subordinate Bonds by causing the Direct Participant to transfer the Participant’s interest in the Series 2022-C Subordinate Bonds, on DTC’s records, to the City’s designated agent. The requirement for physical delivery of Series 2022-C Subordinate Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2022-C Subordinate Bonds are transferred by Direct Participants on DTC’s records and followed by a book-entry credit of tendered Series 2022-C Subordinate Bonds to the DTC account of the City’s designated agent.

DTC may discontinue providing its services as depository with respect to the Series 2022-C Subordinate Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Trust Agreement with respect to certificated Series 2022-C Subordinate Bonds will apply.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF SERIES 2022-C SUBORDINATE BONDS FOR REDEMPTION.

APPENDIX H

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Los Angeles (the “City”) in connection with the issuance by the City of its City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C (the “Series 2022-C Subordinate Bonds”) pursuant to a Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the City Council on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”), including as amended and supplemented by the Twenty-Seventh Supplemental Resolution, adopted by the City Council on [January 26, 2022]. In addition, the Series 2022-C Subordinate Bonds are being issued pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 *et seq.* and Section 53580 *et seq.*, respectively) of the California Government Code, as amended.

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 pursuant to Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission, for the benefit of the Bondowners and Beneficial Owners in order to assist the Participating Underwriters in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Subordinate General Resolution, 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 Series 2022-C Subordinate Bonds (including persons holding Series 2022-C Subordinate Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2022-C Subordinate Bonds for federal income tax purposes.

“DAC” shall mean Digital Assurance Certification L.L.C.

“Dissemination Agent” shall mean each of the City Administrative Officer of the City, including any interim City Administrative Officer, or any other person authorized to act on the City Administrative Officer’s 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. The initial Dissemination Agent hereunder shall be DAC.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (“EMMA”) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement dated [____], 2022, issued by the City in connection with the sale of the Series 2022-C Subordinate Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2022-C Subordinate Bonds required to comply with the Rule in connection with offering of the Series 2022-C Subordinate Bonds.

“Repository” shall mean the MSRB through its Electronic Municipal Market Access (“EMMA”) site, or another Repository as may be designated by the MSRB from time to time.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Series 2022-C Subordinate Bonds” shall mean the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C.

Section 3. Provision of Annual Reports.

(a) The City shall cause the Dissemination Agent to provide not later than June 30 of each fiscal year, commencing on June 30, 2023 for the report for the 2021-22 fiscal year, or if the fiscal year-end changes from June 30, not later than 365 days after the end of the City’s fiscal year, to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 audited financial statements of the Fund (defined below) 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. If the City’s fiscal year changes (the “new fiscal year”), the City shall give notice of such change in the same manner as for a Listed Event under Section 5(d), and the annual date by which the City must provide its annual report shall change to the last day of the fiscal year immediately following the new fiscal year for which such Annual Report is given.

(b) If the City is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form prescribed thereby.

(c) The Dissemination Agent shall, if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City of Los Angeles Sewer Construction and Maintenance Fund (the “Fund”) for the prior fiscal year prepared in accordance with significant accounting policies of the City with respect to the Fund. If such 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 tables and other information set forth in the Official Statement:

“EXISTING WATER RECLAMATION FACILITIES” table.

“WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM EXPENDITURES” table.

“SEWER SERVICE CHARGE BILLED TO TEN LARGEST CUSTOMERS” table.

“SEWER CONSTRUCTION AND MAINTENANCE FUND RATES AND CHARGES” table.

“WASTEWATER SYSTEM SERVICE POINTS AND BILLABLE WASTEWATER VOLUME” table.

“SSC REVENUE BUDGET, BILLINGS, AND REMITTANCE” table.

“BUREAU OF SANITATION AUTHORIZED POSITIONS” table.

“SEWER CONSTRUCTION AND MAINTENANCE FUND RETIREMENT AND OPEB CONTRIBUTIONS” table.

“SEWER CONSTRUCTION AND MAINTENANCE FUND SUMMARY OF OPERATIONS AND DEBT SERVICE COVERAGE (ACCRUAL BASIS)” table.

“SEWER CONSTRUCTION AND MAINTENANCE FUND CASH BALANCES IN ALL FUNDS (UNAUDITED)” table.

“CITY OF LOS ANGELES OUTSTANDING WASTEWATER SYSTEM REVENUE BONDS AND WASTEWATER SYSTEM COMMERCIAL PAPER REVENUE NOTES” table.

(c) An update to the following Sections in the Official Statement: “LITIGATION” and “Appendix A – Certain Information Regarding the City of Los Angeles– BUDGET AND FINANCIAL OPERATIONS.”

The City need not update any particular table or chart 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 MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. 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 Series 2022-C Subordinate Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties of the City;
- (iv) unscheduled draws on any credit enhancements reflecting financial difficulties of the City;
- (v) substitution of any credit or liquidity providers, or their failure to perform;
- (vi) 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 of determinations with respect to the tax status of the Series 2022-C Subordinate Bonds, or other material events affecting the tax status of the Series 2022-C Subordinate Bonds;
- (vii) modifications to the rights of Owners of the Series 2022-C Subordinate Bonds, if material;
- (viii) bond calls other than scheduled sinking fund redemptions, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property, if any, securing repayment of the Series 2022-C Subordinate Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the City; provided that for the purposes of the event identified in this clause (xii), 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;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a financial obligation, as defined in the Rule, of the City, if material, or agreement to provide 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

(xvi) 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) 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 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.

(c) Upon the occurrence of a Listed Event, but, in the case of a Listed Event described in Subsection (ii), (vii), (viii) (but only with respect to bond calls), (x), (xiii), (xiv) and (xv) 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.

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 Series 2022-C Subordinate Bonds. If such termination occurs prior to the final maturity of the Series 2022-C Subordinate Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) 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 Agreement.

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 Series 2022-C Subordinate 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 issuance of the bond, 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 Series 2022-C Subordinate Bonds in the same manner as provided in the Senior General Resolution for amendments to the Senior General Resolution with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Series 2022-C Subordinate 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(d), 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 Bondowners or Beneficial Owners of Series 2022-C Subordinate 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 Senior General Resolution, 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 Series 2022-C Subordinate Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters, Bondowners and Beneficial Owners from time of the Series 2022-C Subordinate Bonds, and shall create no rights in any other person or entity.

Section 13. Governing Law. The laws of the State of California shall govern this Disclosure Certificate, the interpretation hereof and any right or liability arising hereunder, without regard to principles of conflict of law.

Date: _____, 2022

CITY OF LOS ANGELES

By: _____
Assistant City Administrative Officer

APPENDIX I

PROPOSED CHANGES TO SUBORDINATE GENERAL RESOLUTION

[TO BE PROVIDED BY BOND COUNSEL]

APPENDIX J

PROPOSED CHANGES TO SENIOR GENERAL RESOLUTION

[TO BE PROVIDED BY BOND COUNSEL]

ATTACHMENT C

\$ _____
CITY OF LOS ANGELES
Wastewater System Subordinate
Revenue Bonds, Series 2022-A
(Green Bonds)

\$ _____
CITY OF LOS ANGELES
Wastewater System Subordinate
Revenue Bonds, Series 2022-B
(Federally Taxable)

CONTRACT OF PURCHASE

_____, 2022

City of Los Angeles
Office of the City Administrative Officer
200 North Main Street
Room 1500, City Hall East
Los Angeles, California 90012-4137

Ladies and Gentlemen:

The undersigned on behalf of itself and as representative of the underwriters named on the signature page hereto (hereinafter called the “Underwriters”) offers to enter into this agreement with the City of Los Angeles (the “City”), which, upon acceptance of this offer by the City, will be binding upon the City and the Underwriters. This offer is made subject to the written acceptance hereof by the City on or before 11:59 p.m., Los Angeles Time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written or oral notice given to the City at any time prior to the acceptance hereof by the City. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Official Statement (defined herein).

1. Purchase and Sale.

(a) Upon the terms and conditions and upon the basis of the representations and agreements set forth herein, the Underwriters, jointly and severally, hereby agree to purchase, and the City hereby agrees to sell all (but not less than all) of \$ _____ City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-A (Green Bonds) (the “Series 2022-A Subordinate Bonds”) and the \$ _____ City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-B (Federally Taxable) (the “Series 2022-B Subordinate Bonds” and, together with the Series 2022-A Subordinate Bonds, the “Series 2022-AB Bonds”).

The Series 2022-AB Bonds shall be dated the date of delivery thereof and shall be payable in the years and the amounts, and bear interest at the rates, set forth in Schedule I hereto, such interest being payable on June 1 and December 1 of each year, commencing [June 1, 2022].

The purchase price for the Series 2022-AB Bonds shall be \$ _____, which is equal to the aggregate principal amount of the Series 2022-AB Bonds, [plus][minus] original issue [premium][discount] of \$ _____, less the Underwriters’ discount of \$ _____.

The Series 2022-AB Bonds shall be subject to redemption prior to their stated maturities, as set forth in Schedule I hereto.

(b) The City has delivered or caused to be delivered to the Underwriters the City’s preliminary official statement dated _____, 2022 relating to the Series 2022-AB Bonds (said preliminary official statement, together with the cover page and any and all appendices thereto, being

herein referred to as the “Preliminary Official Statement”). The City confirms that the Preliminary Official Statement was “deemed final” as of the date thereof, for purposes of Securities and Exchange Commission Rule 15c2-12, as amended (“Rule 15c2-12”), except for certain information permitted to be omitted by said Rule. The Series 2022-AB Bonds are being offered pursuant to the City’s final official statement relating to the Series 2022-AB Bonds, dated _____, 2022 (said final official statement, together with the cover page and any and all appendices thereto and including any amendments or supplements thereto prior to the Closing (as defined herein), being herein referred to as the “Official Statement”). The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by Rule 15c2-12, the City shall only make such other additions, deletions and revisions in the Official Statement which are approved by the Representative. Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings given such terms in the Official Statement.

(c) The City acknowledges and agrees that (i) the primary role of the Underwriters, as underwriters, is to purchase the Series 2022-AB Bonds, for re-sale to investors pursuant to this Contract of Purchase in an arm’s-length commercial transaction between the City and the Underwriters and the Underwriters have financial and other interests that differ from those of the City, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as principals and are not acting as the agent, financial advisor, municipal advisor or fiduciary of the City, (iii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the City on other matters) and the Underwriters have no obligation to the City with respect to the offering contemplated hereby except the obligations expressly set forth in this Contract of Purchase and (iv) the City has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

2. The Series 2022-AB Bonds. The Series 2022-AB Bonds are being issued by the City of Los Angeles (the “City”) pursuant to the Charter of the City of Los Angeles (the “City Charter”), Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”). The Series 2022-AB Bonds are also issued pursuant to the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”), including as amended and supplemented by the Twenty-Seventh Supplemental Resolution, adopted by the City Council on January __, 2022 (the “Twenty-Seventh Subordinate Supplemental Resolution”).

The proceeds of the Series 2022-AB Bonds will be used to (i) pay all or a portion of the City’s Outstanding Wastewater System Commercial Paper Notes, and (ii) pay certain costs of issuing the Series 2022-AB Bonds.

3. Authority. The Underwriters represent and warrant to the City that they are authorized to take any action under this Contract of Purchase required to be taken by them, that Morgan Stanley & Co. LLC, (the “Representative”) is authorized to execute this Contract of Purchase on behalf of the Underwriters and it has been duly authorized by the Underwriters to act hereunder and, as the representative of the Underwriters, to take all actions, and waive any condition or requirement, required or permitted to be taken or waived hereunder by the Underwriters, and that this Contract of Purchase is a binding contract of the Underwriters enforceable in accordance with its terms.

4. Offering; Issue Price.

(a) The Underwriters agree to make a bona fide public offering of the Series 2022-AB Bonds at a price not in excess of the initial offering price or prices or yields not less than the yields set forth in the Official Statement, which prices may be changed from time to time by the Underwriters after such initial offering.

(b) The Representative, on behalf of the Underwriters, agrees to assist the City in establishing the issue price of the Series 2022-A Subordinate Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate, together with supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit D, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2022-A Subordinate Bonds.

(c) [Except as otherwise set forth in Appendix A to Exhibit D attached hereto,] the City will treat the first price at which 10% of each maturity of the Series 2022-A Subordinate Bonds (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Contract of Purchase, the Representative shall report to the City the price or prices at which the Underwriters have sold to the public each maturity of the Series 2022-A Subordinate Bonds. For purposes of this Section, if Series 2022-A Subordinate Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Series 2022-A Subordinate Bonds.

(d) The Representative confirms that the Underwriters have offered the Series 2022-A Subordinate Bonds to the public on or before the date of this Contract of Purchase at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Appendix A attached hereto, except as otherwise set forth therein. Appendix A sets forth, as of the date of this Contract of Purchase, the maturities, if any, of the Series 2022-A Subordinate Bonds for which the 10% test has been satisfied (the “10% Test Maturities”). Appendix A also sets forth, as of the date of this Contract of Purchase, the maturities, if any, of the Series 2022-A Subordinate Bonds for which the 10% test has not been satisfied (the “Hold-the-Price Maturities”) and for which the City and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity of the Hold-the-Price Maturities as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Series 2022-A Subordinate Bonds, the Underwriters will neither offer nor sell unsold Hold-the-Price Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriters have sold at least 10% of such Hold-the-Price Maturities to the public at a price that is no higher than the initial offering price to the public.

The Representative will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that Hold-the-Price Maturity to the public at a price that is no higher than the initial offering price to the public.

(e) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Series 2022-A Subordinate Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Series 2022-A Subordinate Bonds of each maturity allotted or allocated to it, whether or not the Closing Date has occurred, until either all Series 2022-A Subordinate Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Series 2022-A Subordinate Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires,

(B) to promptly notify the Representative of any sales of Series 2022-A Subordinate Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Series 2022-A Subordinate Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by an underwriter, dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Series 2022-A Subordinate Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Series 2022-A Subordinate Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2022-A Subordinate Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2022-A Subordinate Bonds of that maturity allocated to it have been sold or it is notified by the Representative or such underwriter or dealer that the 10% test has been satisfied as to the Series 2022-A Subordinate Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such underwriter or dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the Underwriter or the dealer and as set forth in the related pricing wires.

(f) The City acknowledges that, in making the representations set forth in this section, the Representative will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Series 2022-A Subordinate Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2022-A Subordinate Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2022-A Subordinate Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Series 2022-A Subordinate Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if

applicable to the Series 2022-A Subordinate Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Series 2022-A Subordinate Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Series 2022-A Subordinate Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2022-A Subordinate Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Series 2022-A Subordinate Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2022-A Subordinate Bonds, and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Series 2022-A Subordinate Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2022-A Subordinate Bonds.

(g) The Underwriters acknowledge that sales of any Series 2022-A Subordinate Bonds to any person that is a related party to an underwriter (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2022-A Subordinate Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2022-A Subordinate Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2022-A Subordinate Bonds to the public),
- (iii) a purchaser of any of the Series 2022-A Subordinate Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date of execution of this Contract of Purchase by all parties.

5. Official Statement, Delivery of Other Documents. The City shall deliver to the Underwriters, within seven business days of the date hereof and in any event, at least three business days prior to the Closing, the Official Statement, in such quantity as the Underwriters may reasonably request in order for the Underwriters to comply with the rules of the Municipal Securities Rulemaking Board (“MSRB”) and subsection (b)(4) of Rule 15c2-12. The City shall deliver to the Underwriters an electronic copy of the Official Statement in a form that permits the Underwriters to satisfy their obligations under the rules and regulations of the MSRB and the U.S. Securities and Exchange Commission. In order to assist the Underwriters in complying with Rule 15c2-12, the City will undertake, pursuant to the Continuing Disclosure Certificate, dated as of the date of Closing (the “Continuing Disclosure Certificate”), to provide annual financial information and notices of the occurrence of specified events. A description of the Continuing Disclosure Certificate is set forth in, and a form of such undertaking is attached as an appendix to, the Preliminary Official Statement and the Official Statement.

6. Use of Documents.

(a) The City authorizes the use by the Underwriters of the Subordinate General Resolution, the Official Statement (including any supplements or amendments thereto and including in electronic format), and the information therein contained, in connection with the public offering and sale of the Series 2022-AB Bonds. The City also confirms its consent to the use by the Underwriters, prior to the date hereof, of the Preliminary Official Statement (including in electronic format) in connection with the public offering of the Series 2022-AB Bonds.

(b) As soon as practicable following receipt thereof, the Representative shall deliver the Official Statement, and any supplement or amendment thereto, to the MSRB.

7. Representations and Agreements of the City. The City hereby represents and warrants as of the date hereof and agrees as follows:

(a) The City is a charter city and municipal corporation duly organized and validly existing under the laws of the State of California.

(b) The City has the full legal power and authority to (i) adopt the Twenty-Seventh Subordinate Supplemental Resolution and enter into the Continuing Disclosure Certificate, this Contract of Purchase and any other documents executed by the City in connection with the Series 2022-AB Bonds (the “City Documents”); (ii) to sell, issue and deliver the Series 2022-AB Bonds to the Underwriters as provided herein and (iii) to carry out and consummate the transactions on its part contemplated by the City Documents and the Subordinate General Resolution.

(c) An ordinance of the City (the “Ordinance”) relating to the Series 2022-AB Bonds was duly adopted by the City Council at a meeting which was held on _____, 2022 pursuant to the terms of the Charter and all other applicable law and with all required notice and at which a quorum was present at the time of adoption of such Ordinance, and such Ordinance will be published prior to Closing and will become effective upon publication.

(d) By all necessary official action, the City has duly adopted, authorized and approved (i) the City Documents, (ii) the Preliminary Official Statement and the Official Statement; (iii) the execution and delivery of, and the performance by the City of its obligations to provide the information described in, the Continuing Disclosure Certificate and its obligations contained in this Contract of Purchase; (iv) the execution of all certificates and other instruments necessary to effectuate the issuance and delivery of the Series 2022-AB Bonds, and (v) the performance by the City of the obligations on its part contained in the City Documents and the Subordinate General

Resolution and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Series 2022-AB Bonds. In connection with the issuance of the Series 2022-AB Bonds, the City has complied in all material respects, (i) with the laws of the State of California and of the United States and (ii) with its obligations on its part contained in the Subordinate General Resolution, the Continuing Disclosure Certificate and this Contract of Purchase.

(e) The Series 2022-AB Bonds, the Subordinate General Resolution and the Continuing Disclosure Certificate conform in all material respects to the descriptions thereof contained in the Official Statement.

(f) At or prior to the Closing, the Twenty-Seventh Subordinate Supplemental Resolution shall have been duly adopted by the City Council and this Contract of Purchase, the Series 2022-AB Bonds and the Continuing Disclosure Certificate shall have been duly executed by the City and the Subordinate General Resolution, this Contract of Purchase, the Series 2022-AB Bonds and the Continuing Disclosure Certificate shall be legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and subject, as to enforceability, to the general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations in the State of California.

(g) Between the date of this Contract of Purchase and the date of the Closing, except as contemplated by the Official Statement, the City will not, with respect to the System (as defined in the Official Statement), incur any material liabilities, direct or contingent other than in the ordinary course of business of the System, and, except as contemplated by the Official Statement, there shall not have been any material adverse change in the finances or operations of the System other than changes in the ordinary course of business.

(h) The City is not, in any material respect, in breach of or default under any applicable existing constitutional provision, law or administrative regulation of the State of California or the United States binding on the City or any existing applicable judgment or court decree binding on the City or any existing loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party which would materially adversely affect the ability of the City to pay the principal and interest on the Series 2022-AB Bonds, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such an event of default which would have such effect under any such instrument; and the adoption of the Twenty-Seventh Subordinate Supplemental Resolution and the execution and delivery of this Contract of Purchase and the Continuing Disclosure Certificate and the performance by the City of its obligations under the Subordinate General Resolution, this Contract of Purchase and the Continuing Disclosure Certificate will not, in any material respect, conflict with or constitute a breach of or default under any existing constitutional provision, law or administrative regulation of the State of California or the United States binding on the City or any existing applicable judgment or court decree binding on the City, or any existing loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party, which conflict, breach or default would materially adversely affect the ability of the City to pay the principal and interest on the Series 2022-AB Bonds. The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied on.

(i) Except as disclosed in the Official Statement, there is no action, suit or proceeding, at law or in equity, before or by any court, pending against the City (service of process against the City having been made) or, to the knowledge of the officer of the City executing this Contract of

Purchase, overtly threatened in writing (i) in any way questioning the existence of the City or the titles of the Authorized City Representatives (as defined in the Twenty-Seventh Subordinate Supplemental Resolution) to their respective offices; (ii) seeking to prohibit, restrain or enjoin the adoption of the Twenty-Seventh Subordinate Supplemental Resolution, the issuance or delivery of the Series 2022-AB Bonds, or application of the proceeds of sale of the Series 2022-AB Bonds, or in any way contesting the validity of the Subordinate General Resolution, the Ordinance, the Series 2022-AB Bonds, the Continuing Disclosure Certificate or this Contract of Purchase, or the tax-exempt status of interest due with respect to the Series 2022-A Subordinate Bonds or any authority for the execution and delivery of the Series 2022-AB Bonds, or the execution and delivery by the City of the Continuing Disclosure Certificate or this Contract of Purchase; or (iii) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(j) Except as disclosed in the Official Statement, there is no action, suit or proceeding, at law or in equity, before or by any court, pending against the City (service of process against the City having been made) or, to the knowledge of the officer of the City executing this Contract of Purchase), overtly threatened in writing, which would result in any material adverse change to the financial condition of the System and the SCM Fund.

(k) The City will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Underwriters as necessary (i) to qualify the Series 2022-AB Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (ii) to determine the eligibility of the Series 2022-AB Bonds for investment under the laws of such states and other jurisdictions, and will use its commercially reasonable efforts to continue such qualifications in effect so long as required for the distribution of the Series 2022-AB Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(l) All approvals, consents and orders of any California or United States governmental authority having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with, the execution, sale and delivery of the Series 2022-AB Bonds under this Contract of Purchase have been obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2022-AB Bonds; and, except as disclosed in the Official Statement, all approvals, consents and orders of any California or United States governmental authority having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations under, the City Documents have been obtained.

(m) The Preliminary Official Statement (other than the information contained in the Preliminary Official Statement with respect to The Depository Trust Company (“DTC”) or the book-entry system) did not, on the date thereof, and through the period up to the execution of this Contract of Purchase, contain any untrue statement of a material fact or omit to state a material fact (other than information permitted to be omitted pursuant to Rule 15c2-12) necessary to make the

statements made therein, in the light of the circumstances under which they were made, not misleading.

(n) At the time of the City's acceptance hereof and up to and including the time of Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except that no representation is made with respect to the information in the Official Statement relating to DTC and the book-entry system.

(o) If the Official Statement is supplemented or amended pursuant to subsection (p) of this section 7, the City agrees that, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such section) at all times during the period from the date of this Contract of Purchase to and including the date which is 25 days after the end of the underwriting period (as determined in accordance with Section 17 hereof), the Official Statement, as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except that the City shall have no responsibility with respect to the information in the Official Statement relating to DTC and the book-entry system.

(p) If between the date of this Contract of Purchase and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 17 hereof) any event shall occur or be discovered that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriters of any such event of which it has knowledge and, if in the reasonable opinion of the Underwriters such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City shall prepare and furnish to the Underwriters (i) a reasonable number of copies of a supplement or amendment to the Official Statement in form and substance reasonably acceptable to the Underwriters and (ii) if such notification shall be subsequent to the Closing, such legal opinions, certificates, instruments and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(q) The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax-exempt status of the interest on the Series 2022-A Subordinate Bonds.

(r) Any certificate signed by any officer of the City and delivered to the Underwriters pursuant to the City Documents or any document contemplated thereby shall be deemed a representation and warranty by the City to the Underwriters as to the statements made therein.

(s) The City is not in payment default and at no time in the past ten years has been in payment default with respect to any SCM Fund obligations incurred by it of a character similar to the Series 2022-AB Bonds.

(t) The financial statements of, and other financial information regarding the City in the Official Statement fairly present the financial position and results of operations with respect to the System as of the dates and for the periods therein set forth. The financial statements with respect to the System have been prepared in accordance with generally accepted accounting principles consistently applied, except as noted in the Official Statement. Except as disclosed in the Official Statement, there has not been any materially adverse change in the financial condition of the System

or in its operations since June 30, 2021 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(u) The description of the application of the proceeds from the sale of the Series 2022-AB Bonds contained in the Official Statement is true, accurate and complete in all material respects.

(v) During the last five years, the City has not failed to materially comply with any previous undertakings relating to continuing disclosure of information pursuant to Rule 15c2-12, except as noted in the Preliminary Official Statement and the Official Statement.

8. Closing. At 9:00 a.m., Los Angeles time, on _____, 2022, or at such other time or on such later date as shall have been mutually agreed upon by the City and the Representative, the City shall deliver to DTC in New York, New York, on behalf of the Underwriters, the Series 2022-AB Bonds, in definitive form duly executed by the City, and the Underwriters shall accept such delivery to DTC and shall pay the purchase price of the Series 2022-AB Bonds as set forth in section 1(a) hereof, by delivering federal or other immediately available funds in the amount of \$_____ to the City. The City shall deliver to the Underwriters the other documents hereinafter mentioned at the offices of Nixon Peabody LLP in Los Angeles, California or such other place as shall have been mutually agreed upon by the City and the Representative. Such payment and delivery is herein called the "Closing." The Series 2022-AB Bonds shall be prepared in fully registered form without coupons, in authorized denominations shall bear CUSIP numbers and shall be registered in the name of "Cede & Co.," as nominee of DTC; there shall be one (1) bond for each maturity of the Series 2022-AB Bonds (and, if Series 2022-AB Bonds of the same maturity bear interest at different rates, for each Series 2022 Bond of such maturity bearing interest at a different rate) and the Series 2022-AB Bonds shall be made available for inspection by the Underwriters at least one business day prior to the Closing.

9. Closing Conditions. The Underwriters have entered into this Contract of Purchase in reliance upon the representations of the City contained herein and the performance by the City of its respective obligations hereunder both as of the date hereof and as of the date of Closing. The Underwriters' obligations under this Contract of Purchase shall be conditioned upon the performance by the City of its obligations to be performed hereunder and under the other documents and instruments delivered in connection with the execution and delivery of the Series 2022-AB Bonds and shall also be subject to the following further conditions:

(a) The representations of the City contained herein shall be true, complete and correct in all material respects on the date hereof and true, complete and correct in all material respects on the date of the Closing.

(b) At the time of the Closing (i) the City Documents shall be in full force and effect in accordance with their terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in each case as may have been agreed to by the Representative, and (ii) the City shall perform or have performed its obligations under the City Documents which are required to be performed at or prior to the Closing.

(c) At or prior to the Closing, the Underwriters shall receive the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the City by an Authorized City Representative;

(2) Certified copies of the Subordinate General Resolution, the Twenty-Seventh Subordinate Supplemental Resolution, and the Ordinance and an executed copy of the Continuing

Disclosure Certificate and a tax certificate, in form and substance reasonably satisfactory to Bond Counsel and the City, executed on behalf of the City by an Authorized City Representative;

(3) The opinion of Nixon Peabody LLP, Bond Counsel, dated the date of the Closing, in substantially the form attached to the Official Statement as Appendix F, together with a letter, dated the date of the Closing, from such Bond Counsel addressed to the Underwriters stating that the Underwriters may rely on such opinion as though it was addressed to them;

(4) The opinion of Nixon Peabody LLP, Bond Counsel, dated the date of the Closing and addressed to the Underwriters, in substantially the form set forth in Exhibit A hereto;

(5) An opinion of the City Attorney, dated the date of the Closing and addressed to the Underwriters, in substantially the form set forth in Exhibit C hereto;

(6) A certificate of an Authorized City Representative, dated the date of Closing, to the effect that each of the representations set forth in section 7 of this Contract of Purchase is true, accurate and complete in all material respects as of the Closing and each of the agreements of the City, as set forth in this Contract of Purchase to be complied with at or prior to the Closing, has been complied with in all material respects;

(7) Evidence reasonably satisfactory to the Underwriters that, as of the date of Closing, the rating on the Series 2022-AB Bonds are “__” by Standard & Poor’s Financial Services LLC, “__” by Fitch Ratings and “__” by Kroll Bond Rating Agency;

(8) The opinion of Kutak Rock LLP, Disclosure Counsel, dated the date of Closing in substantially the form attached hereto as Exhibit B addressed to the City and accompanied by a reliance letter from Disclosure Counsel to the effect that such opinion may be relied upon by the Underwriters to the same effect as if such opinion were addressed to them;

(9) The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Underwriters’ Counsel, dated the date of Closing and addressed to the Underwriters, in form and substance satisfactory to the Underwriters; and

(10) Such additional legal opinions, certificates, instruments and other documents as the Underwriters, Disclosure or Bond Counsel may reasonably deem necessary to evidence the due execution and delivery of the Series 2022-AB Bonds, the truth and accuracy as of the time of the Closing of the City’s representations contained in section 7 hereof and performance in all material respects by the City at or prior to the time of the Closing of all agreements then to be performed and all conditions then to be satisfied by the City pursuant to the City Documents.

The opinions and certificates and other material referred to above shall be in form and substance reasonably satisfactory to the Representative.

10. Termination. The Representative shall have the right to terminate the Underwriters’ obligations under this Contract of Purchase to purchase, to accept delivery of and to pay for the Series 2022-AB Bonds by notifying the City of the Underwriters’ election to do so if, after the execution hereof and prior to the Closing:

(a) the marketability of the Series 2022-AB Bonds or the market price thereof, in the reasonable opinion of the Representative (after consultation with the City), has been materially adversely affected by (i) an amendment to the Constitution of the United States, (ii) any legislation (A) enacted by the United States or the State of California, (B) recommended to the Congress or,

except as disclosed in the Official Statement, otherwise endorsed for passage, by press release, other form of notice or otherwise, by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or (C) presented as an option for consideration by either such Committee, by the staff of such Committee or by the staff of the Joint Committee on Taxation of the United States Congress, or favorably reported for passage to either House of the Congress by any Committee of such House or by a Conference Committee of both Houses to which such legislation has been referred for consideration, or (iii) any decision of any court of the United States or by any ruling or regulation (final, temporary or proposed) on behalf of the Treasury Department of the United States, the Internal Revenue Service or any other authority of the United States or any comparable legislative, judicial or administrative development affecting the federal or state tax status of the City, its property or income, or the federal or state income tax treatment of interest on its obligations, including the Series 2022-A Subordinate Bonds;

(b) there shall have occurred the outbreak or escalation of hostilities involving the United States or a national or international calamity or crisis, or the declaration by the United States of a national emergency or war, which in the reasonable judgment of the Representative (after consultation with the City) have had a materially adverse effect on the marketability of the Series 2022-AB Bonds or the market price thereof;

(c) there shall have occurred the declaration of a general banking moratorium by any authority of the United States, the State of New York or the State of California or a major financial crisis or material disruption in commercial banking or securities settlement or clearance services shall have occurred which, in the reasonable opinion of the Representative (after consultation with the City), materially adversely affects the marketability of the Series 2022-AB Bonds or the market price thereof;

(d) there shall have been any downgrading, suspension or withdrawal, or any official statement as to a possible downgrading, suspension or withdrawal of any underlying rating on bonds secured by the Revenues by any rating service which has rated the Series 2022-AB Bonds;

(e) a general suspension of trading shall have occurred, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required and be in force on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction;

(f) an event described in subsection (p) of section 7 shall have occurred or be discovered which in the reasonable opinion of the Representative (after consultation with the City) requires the preparation and publication of a supplement or amendment to the Official Statement;

(g) a tentative decision with respect to legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or legislation shall be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or a decision by a court of the United States, or action (including a stop order) shall be taken or a regulation shall be issued by the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject, the effect of which, in the opinion of the Representative, could be that either (i) the Series 2022-AB Bonds are not, or may not be, exempt from the registration, qualification or other similar requirements of the Securities Act of 1933, as amended (the "Securities Act"), or (ii) the Subordinate General Resolution is not, or may not be,

exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”);

(h) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Series 2022-AB Bonds, or issued a stop order or similar ruling relating thereto; or

(i) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall have imposed additional material restrictions not in force as of the date hereof upon trading in securities generally or shall have imposed, as to any bonds or similar obligations, any material, restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters.

11. Expenses.

(a) The City shall pay any expenses incident to the performance of the City’s obligations hereunder, including but not limited to the following: (i) the cost of the preparation, printing and delivery of the Series 2022-AB Bonds; (ii) the fees for bond ratings; (iii) the cost of printing and distribution of the Preliminary Official Statement and the Official Statement; (iv) the fees and disbursements of Bond Counsel; (v) the fees and disbursements of Disclosure Counsel; (vi) the fees and disbursements of any other engineers, accountants, attorneys, verification agent and other experts or consultants or advisors retained by the City; (vii) the expenses to qualify the Series 2022-AB Bonds for sale under any Blue Sky Laws; and (viii) any other costs and disbursements incurred by the City in connection with the transaction. The City shall reimburse the Underwriters for expenses (included in the expense component of the Underwriters’ spread) incurred on behalf of the City’s employees which are incidental to implementing this Contract of Purchase, including, but not limited to, meals, transportation and lodging of those employees.

(b) The Underwriters shall pay their own expenses including but not limited to the fees and disbursements of any attorneys retained by the Underwriters. The Underwriters are required to pay fees to the California Debt and Investment Advisory Commission in connection with the sale of the Series 2022-AB Bonds. Notwithstanding that such fees are solely the legal obligation of the Underwriters, the City agrees to reimburse the Underwriters for such fees through inclusion in the underwriters’ discount.

12. Notices. Any notice or other communication to be given to the City under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) may be given by giving the same in writing to the City of Los Angeles, Office of the City Administrative Officer, 200 North Main Street, Room 1500, City Hall East, Los Angeles, California 90012, Attention: Debt Management Group; and any notice or other communication to be given to the Underwriters under this Contract of Purchase may be given by delivering the same in writing to Morgan Stanley & Co. LLC at 555 California Street, 21st Floor, San Francisco, CA 94104, Attention: Margie Backstrom.

13. Governing Law; Venue. This Agreement was made and entered into in the City and shall be governed by, interpreted and enforced in accordance with the laws of the State of California and the City, including any applicable statute of limitation, without regard to conflict of law principles. All litigation arising out of, or relating to this Agreement, shall be brought in a State or Federal court in the County of Los Angeles in the State of California. The parties irrevocably agree

to submit to the exclusive jurisdiction of such courts in the State of California and waive any defense of forum non conveniens.

14. Parties in Interest. This Contract of Purchase when executed by the City shall constitute the entire agreement between the City and the Underwriters and is made solely for the benefit of the City and the Underwriters (including the successors or permitted assigns of any of the Underwriters but does not include any purchasers of the Series 2022-AB Bonds from the Underwriters). No other person shall acquire or have any right hereunder or by virtue hereof. All of the representations (as of the date such representations were made) of the City contained in this Contract of Purchase shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Underwriters. This Contract of Purchase may not be assigned by any party without the written consent of the other party.

15. Effective Date. This Contract of Purchase shall be effective upon the execution hereof by the Representative, on behalf of the Underwriters, and the City.

16. Headings. The headings of the sections of this Contract of Purchase are inserted for convenience only and shall not be deemed to be a part hereof.

17. End of Underwriting Period. The term “end of the underwriting period” referred to in sections 7(o) and (p) of this Contract of Purchase shall mean the later of such time as (i) the City delivers the Series 2022-AB Bonds to the Underwriters or (ii) the Underwriters do not retain an unsold balance of the Series 2022-AB Bonds for sale to the public. Unless the Underwriters gives notice to the contrary, the end of the underwriting period shall be deemed to be the date of the Closing. Any notice delivered pursuant to this section 17 shall be delivered in writing to the City at or prior to the date of the Closing, and shall specify a date, other than the date of the Closing (or such other date specified by notice delivered pursuant to this section 17), to be deemed the end of the underwriting period.

18. Representation by Counsel. Each party hereto represents and acknowledges that it has been represented by competent counsel in connection with the negotiation and execution of this Agreement, and has been fully advised by said counsel with respect to its rights and obligations hereunder.

19. Representations, Warranties and Agreements to Survive Delivery. The representations, warranties, indemnities, agreements and other statements of the City and the Underwriters or their officers or partners set forth in, or made pursuant to, this Contract of Purchase will remain operative and in full force and effect regardless of any investigation made by or on behalf of the City or the underwriters or any controlling person and will survive delivery of and payment for the Series 2022-AB Bonds.

20. Counterparts. This Contract of Purchase may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. The parties further agree that facsimile signatures or signatures scanned into PDF format (or signatures in another electronic format designated by the City) and sent by e-mail shall be deemed original signatures.

21. City Standard Provisions. Each of the Underwriters agrees that it will comply with the Standard Provisions for City Contracts attached hereto as Exhibit F.

22. Iran Contracting Act of 2010. In accordance with California Public Contract Code Sections 2200-2208, all bidders submitting proposals for, entering into, or renewing contracts with

the City of Los Angeles for goods and services estimated at \$1,000,000 or more are required to complete, sign, and submit the “Iran Contracting Act of 2010 Compliance Affidavit.” Each of the Underwriters shall complete, sign, and submit the “Iran Contracting Act of 2010 Compliance Affidavit” prior to the date of the execution of this Contract of Purchase.

[Signatures appear on next page.]

Very truly yours,

MORGAN STANLEY & CO. LLC
Citigroup Global Markets Inc.
Cabrera Capital Markets, LLC
Drexel Hamilton, LLC
Jefferies LLC
Siebert Williams Shank & Co., LLC

By: _____
MORGAN STANLEY & CO. LLC,
as representative of the Underwriters

Agreed and Accepted:

This ___ day of _____, 2022

CITY OF LOS ANGELES

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM

This ___ day of _____, 2022

MICHAEL N. FEUER
City Attorney

By: _____
Deputy City Attorney

SCHEDULE I

Maturity Schedule

\$ _____

**City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-A
(Green Bonds)**

| Year (June 1) | Principal Amount | Interest Rate | Yield | Price |
|--------------------------|-----------------------------|--------------------------|--------------|--------------|
| | \$ | % | % | |

\$ _____ % Term Bonds due June 1, 20__ Yield: _____% Price _____

\$ _____ % Term Bonds due June 1, 20__ Yield: _____% Price _____

C Priced to par call on June 1, 20__.

* 10% Test Maturities

** Hold-the-Price Maturities

\$ _____
City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-B
(Federally Taxable)

| <u>Year</u> <u>(June 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> |
|--------------------------------|-----------------------------------|--------------------------------|--------------|--------------|
| | \$ | % | % | |

Redemption Provisions

Redemption of the Series 2022-AB Bonds

Optional Redemption of Series 2022-A Subordinate Bonds. The Series 2022-A Subordinate Bonds maturing before June 1, 20__ are not subject to redemption before their stated maturities. The Series 2022-A Subordinate Bonds maturing on and after June 1, 20__ are subject to redemption, as a whole or in part as designated by the City, or, absent such designation, *pro rata* among maturities and by lot within any one maturity if less than all of the Series 2022-A Subordinate Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the City, on any date on or after June 1, 20__, at a redemption price equal to the principal amount of the Series 2022-A Subordinate Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Optional Redemption of Series 2022-B Subordinate Bonds. The Series 2022-B Subordinate Bonds maturing on and after June 1, 20__ are subject to redemption, as a whole or in part as designated by the City, or, absent such designation, *pro rata* among maturities and *pro rata* within any one maturity if less than all of the Series 2022-B Subordinate Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the City, on any date on or after June 1, 20__, at a redemption price equal to the principal amount of the Series 2022-B Subordinate Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Make-Whole Optional Redemption of Series 2022-B Subordinate Bonds. The Series 2022-B Subordinate Bonds are subject to redemption, in whole or in part, of such maturities designated by the City, prior to their respective maturity dates, on any business day before June 1, 20__, at the Make-Whole Redemption Price (defined below), plus accrued and unpaid interest up to, but not including, the redemption date, on the Series 2022-B Subordinate Bonds to be redeemed on the date fixed for redemption.

The “**Make-Whole Redemption Price**” is the greater of (i) 100% of the principal amount of the Series 2022-B Subordinate Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2022-B Subordinate Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2022-B Subordinate Bonds are to be redeemed, discounted to the date on which the Series 2022-B Subordinate Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus, with respect to the Series 2022-B Subordinate Bonds maturing on June

“**Treasury Rate**” means, as of any redemption date for a particular Series 2022-B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2022-B Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Mandatory Sinking Fund Redemption. The Series 2022-A Subordinate Bonds with a stated maturity date of June 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, commencing on June 1, 20__, and on each June 1 thereafter until maturity, in accordance with the terms of the following mandatory sinking fund redemption schedule (subject to adjustment in the event of an optional redemption of the Series 2022-A Subordinate Bonds, as provided in the Twenty-Seventh Subordinate Supplemental Resolution):

**Redemption Date
(June 1)**

(maturity)

4853-0625-9430v9/024112-0080

Series 2022-B Term Bonds Maturing June 1, 20__

Redemption Date
(June 1)

Principal Amount

(maturity)

EXHIBIT A

FORM OF SUPPLEMENTAL OPINION

[TO COME FROM NIXON PEABODY LLP]

EXHIBIT B
FORM OF OPINION OF DISCLOSURE COUNSEL

_____, 2022

City of Los Angeles
Office of the City Administrative Officer
200 North Main Street
Room 1500, City Hall East
Los Angeles, California 90012-4137

\$ _____
CITY OF LOS ANGELES
Wastewater System Subordinate Revenue
Bonds, Series 2022-A
(Green Bonds)

\$ _____
CITY OF LOS ANGELES
Wastewater System Subordinate Revenue
Bonds, Series 2022-B
(Federally Taxable)

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of Los Angeles (the “City”) in connection with the issuance of the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-A (Green Bonds) in the aggregate principal amount of \$ _____ (the “Series 2022-A Subordinate Bonds”) and the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-B (Federally Taxable) in the aggregate principal amount of \$ _____ (the “Series 2022-B Subordinate Bonds”) and together with the Series 2022-A Subordinate Bonds, the “Series 2022-AB Subordinate Bonds”). The Series 2022-AB Subordinate Bonds are being issued pursuant to pursuant to the Charter of the City of Los Angeles (the “City Charter”), Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”). The Series 2022-AB Bonds are also issued pursuant to the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”), including as amended and supplemented by the Twenty-Seventh Supplemental Resolution, adopted by the City Council on January __, 2022 (the “Twenty-Seventh Supplemental Resolution”). As such counsel, we have participated in the preparation of certain documents, including the Preliminary Official Statement, dated _____, 2022 with respect to the Series 2022-AB Subordinate Bonds (the “Preliminary Official Statement”) and the Official Statement, dated _____, 2022 with respect to the Series 2022-AB Subordinate Bonds (the “Official Statement”). This letter is being delivered pursuant to the requirements of the Contract of Purchase, dated _____, 2022 (the “Contract of Purchase”), by

and between the City and Morgan Stanley & Co., LLC, for itself and as representative of Citigroup Capital Markets, Inc., Cabrera Capital Markets, LLC, Drexel Hamilton, LLC, Jeffries LLC and Siebert Williams Shank & Co., LLC, as the underwriters (collectively, the “Underwriters”) relating to the Series 2022-AB Subordinate Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Contract of Purchase.

In our capacity as Disclosure Counsel, we have participated with you and other parties in the preparation of the Preliminary Official Statement and the Official Statement. In the course of such participation, we have generally reviewed information furnished to us by, and have participated in conferences and telephone conversations with, representatives of the Underwriters; representatives of Nixon Peabody LLP, as Bond Counsel; representatives of Best Stradling Yocca Carlson & Rauth, a Professional Corporation, as Counsel to the Underwriters; and your representatives (including your municipal advisors). We have also reviewed certain documents, certificates and opinions delivered pursuant to the Contract of Purchase, other documents and records relating to the authorization, issuance and delivery of the Series 2022-AB Subordinate Bonds and the certificates of the officials and representatives of the City and others. In addition, we have relied upon, and assumed the correctness of, the certificates of the officials and representatives of the City and others, and upon certain documents, opinions and letters.

Based solely on the foregoing and our review of various documents, agreements, certificates and opinions referred to above, we advise you that, although we have made no independent investigation or verification of the accuracy, fairness or completeness of, and do not pass upon or assume any responsibility for, the statements contained in the Preliminary Official Statement and the Official Statement, during the course of the activities described in the preceding paragraph, no information came to the attention of attorneys of our firm rendering legal services in connection with the Preliminary Official Statement and the Official Statement which causes us to believe that the Preliminary Official Statement, as of its date, and the Official Statement, as of its date and as of the date of this letter (except for information therein with respect to The Depository Trust Company or with respect to any financial, numerical or statistical data, or any estimates, assumptions and expressions of opinion, contained in the Preliminary Official Statement and the Official Statement, including any of the appendices thereto, as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

This letter is issued to and for the sole benefit of the above addressee and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressee may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent; provided, however, a copy may be included in the transcript of the proceedings for the Series 2022-AB Subordinate Bonds. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Very truly yours,

B-2

[DRAFT]

_____, 2022

Morgan Stanley & Co., LLC
San Francisco, CaliforniaDrexel Hamilton, LLC
New York, New YorkCitigroup Capital Markets, Inc.
Los Angeles, CaliforniaJeffries LLC
Los Angeles, CaliforniaCabrera Capital Markets, LLC
Los Angeles, CaliforniaSiebert Williams Shank & Co., LLC
Los Angeles, California\$ _____
CITY OF LOS ANGELES
Wastewater System Subordinate Revenue
Bonds, Series 2022-A
(Green Bonds)\$ _____
CITY OF LOS ANGELES
Wastewater System Subordinate Revenue
Bonds, Series 2022-B
(Federally Taxable)

Ladies and Gentlemen:

In connection with the delivery of the above referenced Series 2022-AB Subordinate Bonds (the “Series 2022-AB Subordinate Bonds”), we have delivered a negative assurance letter dated the date hereof and addressed to the City of Los Angeles concerning certain matters relating to the Preliminary Official Statement, dated _____, 2022, with respect to the Series 2022-AB Subordinate Bonds, and the Official Statement, dated _____, 2022, with respect to the Series 2022-AB Subordinate Bonds.

You may rely on our statements contained in such negative assurance letter as though the same were addressed to you.

Very truly yours,

[DRAFT]

EXHIBIT C

**FORM OF OPINION OF
THE CITY ATTORNEY OF THE CITY OF LOS ANGELES**



MICHAEL N. FEUER
CITY ATTORNEY

April __, 2021

City of Los Angeles
Los Angeles, California

Morgan Stanley & Co. LLC,
as Representative of the Underwriters
San Francisco, California

\$ _____
CITY OF LOS ANGELES
Wastewater System Subordinate
Revenue Bonds, Series 2022-A
(Green Bonds)

\$ _____
CITY OF LOS ANGELES
Wastewater System Subordinate
Revenue Bonds, Series 2022-B
(Federally Taxable)

Ladies and Gentlemen:

This office has served as counsel to the City of Los Angeles (the “City”) and has participated in the proceedings relating to the issuance of the \$ _____ City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-A (Green Bonds) (the “Series 2022-A Subordinate Bonds”) and the \$ _____ City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-B (Federally Taxable) (the “Series 2022-B Subordinate Bonds”) and, together with the Series 2022-A Subordinate Bonds, the “Series 2022-AB Bonds”).

The Series 2022-AB Bonds are being issued by the City pursuant to the Charter of the City of Los Angeles (the “Charter”), Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”), the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”), including as amended and supplemented by the Twenty-Seventh Supplemental Resolution, adopted by the City Council on _____, 2022 (the “Twenty-Seventh Subordinate Supplemental Resolution”). This letter is being delivered pursuant to Section 9(c)(5) of the Contract of Purchase, dated _____, 2022 (the “Contract of Purchase”), by and between the City and Morgan Stanley & Co. LLC, as representative of itself and the underwriters named therein (the “Underwriters”). Capitalized terms not otherwise defined herein shall have the respective meanings ascribed thereto in the Subordinate General Resolution or, if not defined in the Subordinate General Resolution, in the Contract of Purchase.

In the course of the proceedings relating to the issuance of the Series 2022-AB Bonds and in connection with the delivery of the opinions stated in this letter, we have examined originals or copies of the following:

- (a) The Charter;
- (b) The Subordinate General Resolution;
- (c) The Twenty-Seventh Subordinate Supplemental Resolution;
- (d) Ordinance No. _____, adopted by the City Council on _____, 2022 (the “Ordinance”);
- (e) The Contract of Purchase;
- (f) The Continuing Disclosure Certificate, dated _____, 2022 (the “Continuing Disclosure Certificate”), executed by the City;
- (g) The Official Statement dated _____, 2022, relating to the Series 2022-AB Bonds (the “Official Statement”);
- (h) Closing Certificate of the City of Los Angeles, dated of even date herewith and executed by the Assistant City Administrative Officer and a Deputy City Clerk; and
- (i) Such other records, documents, agreements, instruments, opinions, certificates and other matters as we deemed relevant, necessary or appropriate to render the opinions set forth below.

As to relevant factual matters, we have relied upon without undertaking to verify independently, among other things, the City’s factual representations contained in the records, documents, agreements, instruments, certificates, including the certified proceedings and certifications of City officials and others furnished to us in connection with the Series 2022-AB Bonds and related matters, and other matters described above. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as

originals and the conformity with originals of all documents submitted to us as copies. The Contract of Purchase and the Continuing Disclosure Certificate are collectively referred to herein as the “City Documents.”

From such examination, on the basis of our reliance upon the assumptions in this letter and our consideration of those questions of existing law we considered relevant, and subject to the limitations and qualifications in this letter, as of the date hereof, we are of the following opinions:

1. The City is a charter city and municipal corporation of the State of California duly organized and existing under the Constitution of the State of California and the Charter.

2. The Twenty-Seventh Subordinate Supplemental Resolution and the Ordinance were each duly adopted by the City Council at a meeting which was held pursuant to the terms of the Charter and all other applicable law and with all required notice having been given and at which a quorum was present at the time of adoption of such Twenty-Seventh Subordinate Supplemental Resolution and Ordinance. The Twenty-Seventh Subordinate Supplemental Resolution and the Ordinance have not been modified, amended or rescinded and are in full force and effect on and as of the date hereof.

3. The issuance and delivery of the Series 2022-AB Bonds has been duly authorized by the City.

4. The City Documents and the Official Statement have been duly authorized, executed and delivered by the City.

5. To the best of our knowledge, the adoption of the Twenty-Seventh Subordinate Supplemental Resolution and the Ordinance and the execution and delivery of the City Documents and the Official Statement by the City do not, in any material respect (a) violate any State of California constitutional provision, or any applicable judgment, order or regulation applicable to the City or any Charter provision, law or ordinance of the City that we have, in the exercise of customary professional diligence, recognized as applicable to the City and the transactions contemplated by the City Documents, and (b) conflict with or result in a breach of any of the provisions of or constitute a default under any indenture, agreement or other instrument to which the City is a party or by which it is bound and relating to the System, and with respect to which, where such violation, conflict, breach or default would materially or adversely affect the ability of the City to pay principal and interest on the Series 2022-AB Bonds.

6. To the best of our knowledge, and except as otherwise set forth in the Official Statement, there is no action, suit or proceeding before or by any court, public board or body pending (with service of process having been given to the City) or threatened against the City wherein an unfavorable decision, ruling or finding would (a) question the creation, organization, existence or powers of the City or the titles of the Authorized City Representatives (as defined in the Twenty-Seventh Subordinate Supplemental Resolution) to their respective offices, (b) seek to restrain or enjoin the issuance or delivery of the Series 2022-AB Bonds, (c) in any way contest the validity of the Series 2022-AB Bonds, the Subordinate General Resolution, the Ordinance or any of the City Documents, (d) contest the

power of the City to issue the Series 2022-AB Bonds, or (e) have a material adverse effect on the City's ability to make payment on the Series 2022-AB Bonds from Revenues.

We express no opinion on the enforceability of the Subordinate General Resolution, the Series 2022-A Bonds or the City Documents against the City.

The law covered by the opinions expressed herein is limited to the present law of the State of California. We express no opinion as to the laws of any other jurisdiction, and we express no opinion as to any Blue Sky laws, federal and state securities laws and tax laws. Furthermore, the imposition of fees and charges by the City relating to the System may be subject to the provisions of Articles XIIC and XIID of the Constitution of the State of California.

The matters set forth in paragraph 6 are factual confirmations and not legal opinions.

The opinions set forth herein may be affected by actions taken or omitted by the City or other parties, or by events, facts or circumstances occurring after the date hereof. This letter speaks only as of the date hereof and we do not undertake, and expressly disclaim, any obligation to amend or supplement this letter as events, facts and circumstances come to our attention, or changes in law occur, after the date hereof which could affect the opinions set forth herein.

The opinions expressed herein are matters of professional judgment and are not a guarantee of result. 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. This letter is given in an official capacity only and not personally, and no personal liability shall derive therefrom.

This letter is for the sole benefit of the addressees hereof and is not to be used, circulated, quoted or otherwise referred to for any purpose; provided, however, that it may be included in the transcript of record of proceedings relating to the Series 2022-AB Bonds. No other person may rely on this letter without our prior written consent. Other than the City, no attorney-client relationship has existed or exists between our office and the addressees of this letter in connection with the Series 2022-AB Bonds or by virtue of this letter.

Very truly yours,

MICHAEL N. FEUER,
City Attorney

By: _____
Amy Pham
Deputy City Attorney

EXHIBIT D

\$ _____

CITY OF LOS ANGELES

Wastewater System Subordinate Revenue Bonds

Series 2022-A

(Green Bonds)

FORM OF ISSUE PRICE CERTIFICATE OF THE REPRESENTATIVE

The undersigned, on behalf of Morgan Stanley & Co. LLC (the “Representative”), on behalf of themselves and Citigroup Global Markets Inc., Cabrera Capital Markets, LLC, Drexel Hamilton, LLC, Jefferies LLC, and Siebert Cisneros Shank & Co., L.L.C. (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the \$ _____ City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-A (Green Bonds) (the “Series 2022-A Subordinate Bonds”). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Tax Certificate relating to the Series 2022-A Subordinate Bonds, to which this certificate is attached.

1. ***Sale of the 10% Maturities.*** As of the date of this certificate, for each Maturity of the Series 2022-A Subordinate Bonds, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A. All of the maturities are 10% Test Maturities.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) [The Underwriting Group offered the Hold-the-Offering Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Series 2022-A Subordinate Bonds is attached to this certificate as Schedule B.] In making the representations set forth in this Section 2(a) with respect to the activities of the other underwriters, the Representative has relied on each other underwriter’s representation to the Representative confirming such underwriter has complied with its obligations set forth in (x) the agreement among underwriters, any selling group agreement and any third-party distribution agreement, as applicable, and (y) the related pricing wires.

(b) As set forth in the Contract of Purchase the Representative has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Series 2022-A Subordinate Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. No Underwriter has offered or sold any unsold Series 2022-A Subordinate Bonds of any

Maturity of the Series 2022-A Subordinate Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Series 2022-A Subordinate Bonds during the Holding Period.

3. ***Defined Terms.***

(a) *10% Test Maturities* means those Maturities of the Series 2022-A Subordinate Bonds listed in Schedule A hereto as the “10% Test Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Series 2022-A Subordinate Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold the Offering Price Maturity.

(d) *Issuer* means the City of Los Angeles.

(e) *Maturity* means Series 2022-A Subordinate Bonds with the same credit and payment terms. Series 2022-A Subordinate Bonds with different maturity dates, or Series 2022-A Subordinate Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Series 2022-A Subordinate Bonds. The Sale Date of the Series 2022-A Subordinate Bonds is _____, 2022.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2022-A Subordinate 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 Series 2022-A Subordinate Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2022-A Subordinate Bonds to the Public).

4. ***Other Certifications.***

(a) The aggregate of the Initial Offering Prices of the Series 2022-A Subordinate Bonds is \$_____.

(b) We have provided the attached schedules, at the direction of Bond Counsel, relating to the calculation of the arbitrage yield with respect to the Series 2022-A Subordinate Bonds.

(c) We have provided the attached schedules, at the direction of Bond Counsel, relating to the calculation of the weighted average maturity of the Series 2022-A Subordinate Bonds. We have performed this calculation using the following formula: we calculated the total number of bond years and divided that number into the total initial offering price of the bonds of the offering. For purposes of calculating the total bond years, we calculated the sum of the products of each respective maturity's initial offering price and the number of years from the dated date to each respective maturity, doing so on a 12-month, 360-day year basis.

We express no view regarding the legal sufficiency of any of the above computations or the correctness of any legal interpretation made by Bond Counsel. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative'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 Series 2022-A Subordinate Bonds, and by Nixon Peabody LLP in connection with rendering its opinion that the interest on the Series 2022-A Subordinate 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 Series 2022-A Subordinate Bonds. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by the other members of the Underwriting Group.

MORGAN STANLEY & CO. LLC, on behalf of
itself and as Representative of the Underwriting
Group

By: _____
Authorized Representative

Dated: _____, 2022

SCHEDULE A
SALE PRICES OF THE 10% TEST MATURITIES AND INITIAL OFFERING
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

\$ _____
City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-A
(Green Bonds)

| <u>Year</u> <u>(June 1)*</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> |
|---------------------------------|-----------------------------------|--------------------------------|--------------|--------------|
| | \$ | % | % | |

\$ _____ % Term Bonds due June 1, 20__ Yield: ____% Price _____

\$ _____ % Term Bonds due June 1, 20__ Yield: ____% Price _____

C Priced to par call on June 1, 20__.

* 10% Test Maturities

** Hold-the-Price Maturities

SCHEDULE B TO ISSUE PRICE CERTIFICATE

[ATTACH PRICING WIRE OR EQUIVALENT COMMUNICATION]

EXHIBIT E

Standard Provisions for City Contracts

Each Underwriter, on its own behalf and not on behalf of any other Underwriter, agrees to comply with the following requirements of the City of Los Angeles (the “City”):

Section 1. Independent Contractor. Each Underwriter is an independent contractor and not an agent or employee of the City. Each Underwriter 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 Underwriters shall maintain all records, including records of financial transactions, pertaining to the performance of this Contract of Purchase, 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 the City or (2) the expiration or termination of this Contract of Purchase. The records will be subject to examination and audit by authorized City personnel or the City’s representatives at any time. The Underwriters shall provide any reports requested by the City regarding performance of this Contract of Purchase. Any subcontract entered into by any Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

In lieu of retaining the records for the term as prescribed in this provision, the Underwriters 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 Contract of Purchase.

Section 3. Taxpayer Identification Number (“TIN”) and Withholding Taxes. The Representative 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 Contract of Purchase. Payments made under the Contract of Purchase 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. Indemnification. The Underwriters shall defend, indemnify and hold harmless the City and the City’s boards, officers, agents, employees, assigns and successors in interest from and against all suits and causes of action, claims, losses, demands and expenses, including but not limited to attorneys’ fees and costs of litigation, to the extent such suits and causes of action, claims, losses, demands and expenses arise out of or are based upon information provided by the Underwriters to the City for use in the Official Statement under the heading “UNDERWRITING.”

Section 5. Insurance. During the term of this Bond Purchase Agreement, each Underwriter shall provide and maintain at its own expense professional liability insurance in the amount of One Million Dollars (\$1,000,000) which covers the services performed pursuant to this Bond Purchase Agreement, and that it will expend every reasonable effort to keep such insurance or its equivalent in effect at all times during performance of the Bond Purchase

Agreement and for one (1) year after the termination of the Bond Purchase Agreement. The insurance must: (1) conform to the City's requirements; (2) comply with the Insurance Contractual Requirements attached to the Request for Qualifications, and (3) otherwise be in a form acceptable to the Office of the City Administrative Officer, Risk Management.

Section 6. Warranty and Responsibility of the Underwriters. The Underwriters warrant that the work performed under this Contract of Purchase shall be completed in a manner consistent with professional standards practiced among those firms within the Underwriters' profession, doing the same or similar work under the same or similar circumstances.

Section 7. Mandatory Provisions Pertaining to Non-Discrimination in Employment.

Unless otherwise exempt, this Contract of Purchase 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. Each Underwriter 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 Contract of Purchase, each Underwriter 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 Contract of Purchase by reference and will be known as the "Equal Employment Practices" provisions of this Contract of Purchase.
- C. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Contract of Purchase by reference and will be known as the "Affirmative Action Program" provisions of this Contract of Purchase.

Any subcontract entered into by any Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

Section 8. Child Support Assignment Orders. Each Underwriter 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, each Underwriter (and any subcontractor providing services to the City under this Contract of Purchase) shall (1) fully comply with all State and Federal employment reporting requirements for each Underwriter's or the subcontractor's employees; (2) certify that the principal owner(s) of each Underwriter 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 Contract of Purchase.

Failure of any Underwriter 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 any Underwriter or applicable subcontractor to comply with any Wage and Earnings Assignment or Notices of Assignment applicable to them personally, shall constitute a default by such Underwriter under this Contract of Purchase. Failure of any Underwriter or applicable subcontractor or principal owner to cure the default within 90 days of the notice of default will subject this Contract of Purchase to termination for breach. Any subcontract entered into by any Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

Section 9. Access and Accommodations.

Each Underwriter represents and certifies that:

- A. Each Underwriter 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. Each Underwriter 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. Each Underwriter 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 Contract of Purchase 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.

Each Underwriter understands that the City is relying upon these certifications and representations as a condition to funding this Contract of Purchase. Any subcontract entered into by each Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

Section 10. Contractor Responsibility Ordinance. Each Underwriter shall comply with the Contractor Responsibility Ordinance, LAAC Section 10.40 et seq., as amended from time to time.

Section 11. Restrictions on Campaign Contributions and Fundraising in City Elections. Unless otherwise exempt, if this Contract of Purchase is valued at \$100,000 or more and requires approval by an elected City office, each Underwriter, their principals, and any subcontractors expected to receive at least \$100,000 for performance under this Contract of Purchase, 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 Contract of Purchase 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 Contract of Purchase is signed. Additionally, any Underwriter 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 Underwriter 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 Contract of Purchase:

“Notice Regarding Restrictions on Campaign Contributions and Fundraising in City Elections.

You are a subcontractor in connection with the Contract of Purchase, dated as of _____, 2022 (the “Contract of Purchase”), by and between the City of Los Angeles (the “City”) and Morgan Stanley & Co. LLC, as the Representative. 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 Contract of Purchase is signed. You are required to provide the names and contact information of your principals to the underwriting firm 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 Contract of Purchase 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 12. Contractor’s Use of Criminal History for Consideration of Employment Applications. Each Underwriter 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 any Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

Section 13. COVID-19. Employees of each Underwriter and/or persons working on its behalf, including, but not limited to, subcontractors (collectively, “Contractor Personnel”), while interacting in person with City employees, contractors, volunteers or members of the public (collectively, “In-Person Services”) in order to perform services under this Bond Purchase Agreement, must be fully vaccinated against the novel coronavirus 2019 (“COVID-19”) prior to performing such In-Person Services. “Fully vaccinated” means that 14 or more days have passed since Contractor Personnel have received the final dose of a two-dose COVID-19 vaccine series (Moderna or Pfizer-BioNTech) or a single dose of a one-dose COVID-19 vaccine (Johnson & Johnson/Janssen) and all booster doses recommended by the Centers for Disease Control and Prevention. Prior to assigning Contractor Personnel to perform In-Person Services, each Underwriter shall obtain proof that such Contractor Personnel have been fully vaccinated. Each

Underwriter shall retain such proof for the document retention period set forth in this Contract of Purchase. Each Underwriter shall grant medical or religious exemptions (“Exemptions”) to Contractor Personnel as required by law. If any Underwriter wishes to assign Contractor Personnel with Exemptions to perform In-Person Services, such Underwriter shall require such Contractor Personnel to undergo weekly COVID-19 testing, with the full cost of testing to be borne by the Underwriter. If Contractor Personnel test positive, they shall not be assigned to perform In-Person Services or, to the extent they have already been performing In-Person Services, shall be immediately removed from those assignments. Furthermore, to the extent permitted by law, each Underwriter shall as soon as practical notify City if Contractor Personnel performing In-Person Services (1) have tested positive for or have been diagnosed with COVID-19, (2) have been informed by a medical professional that they are likely to have COVID-19, or (3) meet the criteria for isolation under applicable government orders.

As to Exhibit E of this Purchase Agreement:

[UNDERWRITER]

By: _____

Title: _____

§ _____
CITY OF LOS ANGELES
Wastewater System Subordinate
Revenue Bonds, Refunding Series
2022-C

CONTRACT OF PURCHASE

_____, 2022

City of Los Angeles
Office of the City Administrative Officer
200 North Main Street
Room 1500, City Hall East
Los Angeles, California 90012-4137

Ladies and Gentlemen:

The undersigned on behalf of itself and as representative of the underwriters named on the signature page hereto (hereinafter called the “Underwriters”) offers to enter into this agreement with the City of Los Angeles (the “City”), which, upon acceptance of this offer by the City, will be binding upon the City and the Underwriters. This offer is made subject to the written acceptance hereof by the City on or before 11:59 p.m., Los Angeles Time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written or oral notice given to the City at any time prior to the acceptance hereof by the City. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Official Statement (defined herein).

1. Purchase and Sale.

(a) Upon the terms and conditions and upon the basis of the representations and agreements set forth herein, the Underwriters, jointly and severally, hereby agree to purchase, and the City hereby agrees to sell all (but not less than all) of \$ _____ City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C (the “Series 2022-C Bonds”).

The Series 2022-C Bonds shall be dated the date of delivery thereof and shall be payable in the years and the amounts, and bear interest at the rates, set forth in Schedule I hereto, such interest being payable on June 1 and December 1 of each year, commencing [June 1, 2022].

The purchase price for the Series 2022-C Bonds shall be \$ _____, which is equal to the aggregate principal amount of the Series 2022-C Bonds, [plus][minus] original issue [premium][discount] of \$ _____, less the Underwriters’ discount of \$ _____.

The Series 2022-C Bonds shall be subject to redemption prior to their stated maturities, as set forth in Schedule I hereto.

(b) The City has delivered or caused to be delivered to the Underwriters the City’s preliminary official statement dated _____, 2022 relating to the Series 2022-C Bonds (said preliminary official statement, together with the cover page and any and all appendices thereto, being herein referred to as the “Preliminary Official Statement”). The City confirms that the Preliminary Official Statement was “deemed final” as of the date thereof, for purposes of Securities and

Exchange Commission Rule 15c2-12, as amended (“Rule 15c2-12”), except for certain information permitted to be omitted by said Rule. The Series 2022-C Bonds are being offered pursuant to the City’s final official statement relating to the Series 2022-C Bonds, dated _____, 2022 (said final official statement, together with the cover page and any and all appendices thereto and including any amendments or supplements thereto prior to the Closing (as defined herein), being herein referred to as the “Official Statement”). The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by Rule 15c2-12, the City shall only make such other additions, deletions and revisions in the Official Statement which are approved by the Representative. Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings given such terms in the Official Statement.

(c) The City acknowledges and agrees that (i) the primary role of the Underwriters, as underwriters, is to purchase the Series 2022-C Bonds, for re-sale to investors pursuant to this Contract of Purchase in an arm’s-length commercial transaction between the City and the Underwriters and the Underwriters have financial and other interests that differ from those of the City, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as principals and are not acting as the agent, financial advisor, municipal advisor or fiduciary of the City, (iii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the City on other matters) and the Underwriters have no obligation to the City with respect to the offering contemplated hereby except the obligations expressly set forth in this Contract of Purchase and (iv) the City has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

2. The Series 2022-C Bonds. The Series 2022-C Bonds are being issued by the City of Los Angeles (the “City”) pursuant to the Charter of the City of Los Angeles (the “City Charter”), Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”) and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 et seq. and Section 53580 et seq., respectively) of the California Government Code (as amended, the “Refunding Law”). The Series 2022-C Bonds are also issued pursuant to the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”), including as amended and supplemented by the Twenty-Seventh Supplemental Resolution, adopted by the City Council on January __, 2022 (the “Twenty-Seventh Subordinate Supplemental Resolution”).

The proceeds of the Series 2022 Bonds will be used to (i) current refund all or a portion of the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Series 2010-A (the “2010-A Bonds”), the outstanding City of Los Angeles Wastewater System Revenue Bonds Series 2012-A (the “2012-A Bonds”), the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Series 2012-B (the “2012-B Bonds”), the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Series 2012-C (the “2012-C Bonds”) and the outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding, Series 2018-C-1 and 2018-C-2 (collectively, the “2018-C Bonds” and, together with the 2010-A Bonds, the 2012-A Bonds, the 2012-B Bonds and the 2012-C Bonds, the “Refunded Bonds”) and (ii) pay certain costs of issuing the Series 2022 Bonds.

3. Authority. The Underwriters represent and warrant to the City that they are authorized to take any action under this Contract of Purchase required to be taken by them, that Jefferies LLC, (the “Representative”) is authorized to execute this Contract of Purchase on behalf of the Underwriters and it has been duly authorized by the Underwriters to act hereunder and, as the representative of the Underwriters, to take all actions, and waive any condition or requirement, required or permitted to be taken or waived hereunder by the Underwriters, and that this Contract of Purchase is a binding contract of the Underwriters enforceable in accordance with its terms.

4. Offering; Issue Price.

(a) The Underwriters agree to make a bona fide public offering of the Series 2022-C Bonds at a price not in excess of the initial offering price or prices or yields not less than the yields set forth in the Official Statement, which prices may be changed from time to time by the Underwriters after such initial offering.

(b) The Representative, on behalf of the Underwriters, agrees to assist the City in establishing the issue price of the Series 2022-C Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate, together with supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit D, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2022-C Bonds.

(c) [Except as otherwise set forth in Appendix A to Exhibit D attached hereto,] the City will treat the first price at which 10% of each maturity of the Series 2022-C Bonds (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Contract of Purchase, the Representative shall report to the City the price or prices at which the Underwriters have sold to the public each maturity of the Series 2022-C Bonds. For purposes of this section, if Series 2022-C Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Series 2022-C Bonds.

(d) The Representative confirms that the Underwriters have offered the Series 2022-C Bonds to the public on or before the date of this Contract of Purchase at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Appendix A attached hereto, except as otherwise set forth therein. Appendix A sets forth, as of the date of this Contract of Purchase, the maturities, if any, of the Series 2022-C Bonds for which the 10% test has been satisfied (the “10% Test Maturities”). Appendix A also sets forth, as of the date of this Contract of Purchase, the maturities, if any, of the Series 2022-C Bonds for which the 10% test has not been satisfied (the “Hold-the-Price Maturities”) and for which the City and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity of the Hold-the-Price Maturities as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Series 2022-C Bonds, the Underwriters will neither offer nor sell unsold Hold-the-Price Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the Underwriters have sold at least 10% of such Hold-the-Price Maturities to the public at a price that is no higher than the initial offering price to the public.

The Representative will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that Hold-the-Price Maturity to the public at a price that is no higher than the initial offering price to the public.

(e) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Series 2022-C Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Series 2022-C Bonds of each maturity allotted or allocated to it, whether or not the Closing Date has occurred, until either all Series 2022-C Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Series 2022-C Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires,

(B) to promptly notify the Representative of any sales of the Series 2022-C Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Series 2022-C Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by an underwriter, dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Series 2022-C Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Series 2022-C Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2022-C Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2022-C Bonds of that maturity allocated to it have been sold or it is notified by the Representative or such underwriter or dealer that the 10% test has been satisfied as to the Series 2022-C Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such underwriter or dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the Underwriter or the dealer and as set forth in the related pricing wires.

(f) The City acknowledges that, in making the representations set forth in this section, the Representative will rely on (i) the agreement of each underwriter to comply with the requirements

for establishing issue price of the Series 2022-C Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2022-C Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2022-C Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Series 2022-C Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2022-C Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Series 2022-C Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Series 2022-C Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2022-C Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Series 2022-C Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2022-C Bonds, and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Series 2022-C Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2022-C Bonds.

(g) The Underwriters acknowledge that sales of any Series 2022-C Bonds to any person that is a related party to an underwriter (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2022-C Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2022-C Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2022-C Bonds to the public),
- (iii) a purchaser of any of the Series 2022-C Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- (iv) “sale date” means the date of execution of this Contract of Purchase by all parties.

5. Official Statement, Delivery of Other Documents. The City shall deliver to the Underwriters, within seven business days of the date hereof and in any event, at least three business days prior to the Closing, the Official Statement, in such quantity as the Underwriters may reasonably request in order for the Underwriters to comply with the rules of the Municipal Securities Rulemaking Board (“MSRB”) and subsection (b)(4) of Rule 15c2-12. The City shall deliver to the Underwriters an electronic copy of the Official Statement in a form that permits the Underwriters to satisfy their obligations under the rules and regulations of the MSRB and the U.S. Securities and Exchange Commission. In order to assist the Underwriters in complying with Rule 15c2-12, the City will undertake, pursuant to the Continuing Disclosure Certificate, dated as of the date of Closing (the “Continuing Disclosure Certificate”), to provide annual financial information and notices of the occurrence of specified events. A description of the Continuing Disclosure Certificate is set forth in, and a form of such undertaking is attached as an appendix to, the Preliminary Official Statement and the Official Statement.

6. Use of Documents.

(a) The City authorizes the use by the Underwriters of the Subordinate General Resolution, the Official Statement (including any supplements or amendments thereto and including in electronic format), and the information therein contained, in connection with the public offering and sale of the Series 2022-C Bonds. The City also confirms its consent to the use by the Underwriters, prior to the date hereof, of the Preliminary Official Statement (including in electronic format) in connection with the public offering of the Series 2022-C Bonds.

(b) As soon as practicable following receipt thereof, the Representative shall deliver the Official Statement, and any supplement or amendment thereto, to the MSRB.

7. Representations and Agreements of the City. The City hereby represents and warrants as of the date hereof and agrees as follows:

(a) The City is a charter city and municipal corporation duly organized and validly existing under the laws of the State of California.

(b) The City has the full legal power and authority to (i) adopt the Twenty-Seventh Subordinate Supplemental Resolution and enter into the Continuing Disclosure Certificate, the Escrow Agreement relating to the 2012-A Bonds, the 2012-B Bonds and the 2012-C Bonds between the City and U.S. Bank National Association as Escrow Agent (the “Escrow Agreement”), this Contract of Purchase and any other documents executed by the City in connection with the Series 2022-C Bonds (the “City Documents”); (ii) to sell, issue and deliver the Series 2022-C Bonds to the Underwriters as provided herein and (iii) to carry out and consummate the transactions on its part contemplated by the City Documents and the Subordinate General Resolution.

(c) An ordinance of the City (the “Ordinance”) relating to the Series 2022-C Bonds was duly adopted by the City Council at a meeting which was held on _____, 2022 pursuant to the terms of the Charter and all other applicable law and with all required notice and at which a quorum was present at the time of adoption of such Ordinance, and such Ordinance will be published prior to Closing and will become effective upon publication.

(d) By all necessary official action, the City has duly adopted, authorized and approved (i) the City Documents, (ii) the Preliminary Official Statement and the Official Statement; (iii) the

execution and delivery of, and the performance by the City of its obligations to provide the information described in, the Continuing Disclosure Certificate and its obligations contained in the Escrow Agreement and this Contract of Purchase; (iv) the execution of all certificates and other instruments necessary to effectuate the issuance and delivery of the Series 2022-C Bonds, and (v) the performance by the City of the obligations on its part contained in the City Documents and the Subordinate General Resolution and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Series 2022-C Bonds. In connection with the issuance of the Series 2022-C Bonds, the City has complied in all material respects, (i) with the laws of the State of California and of the United States and (ii) with its obligations on its part contained in the Subordinate General Resolution, the Continuing Disclosure Certificate, the Escrow Agreement and this Contract of Purchase.

(e) The Series 2022-C Bonds, the Subordinate General Resolution, the Escrow Agreement and the Continuing Disclosure Certificate conform in all material respects to the descriptions thereof contained in the Official Statement.

(f) At or prior to the Closing, the Twenty-Seventh Subordinate Supplemental Resolution shall have been duly adopted by the City Council and this Contract of Purchase, the Series 2022-C Bonds, the Escrow Agreement and the Continuing Disclosure Certificate shall have been duly executed by the City and the Subordinate General Resolution, this Contract of Purchase, the Series 2022-C Bonds, the Escrow Agreement and the Continuing Disclosure Certificate shall be legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and subject, as to enforceability, to the general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations in the State of California.

(g) Between the date of this Contract of Purchase and the date of the Closing, except as contemplated by the Official Statement, the City will not, with respect to the System (as defined in the Official Statement), incur any material liabilities, direct or contingent other than in the ordinary course of business of the System, and, except as contemplated by the Official Statement, there shall not have been any material adverse change in the finances or operations of the System other than changes in the ordinary course of business.

(h) The City is not, in any material respect, in breach of or default under any applicable existing constitutional provision, law or administrative regulation of the State of California or the United States binding on the City or any existing applicable judgment or court decree binding on the City or any existing loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party which would materially adversely affect the ability of the City to pay the principal and interest on the Series 2022-C Bonds, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such an event of default which would have such effect under any such instrument; and the adoption of the Twenty-Seventh Subordinate Supplemental Resolution and the execution and delivery of this Contract of Purchase, the Escrow Agreement and the Continuing Disclosure Certificate and the performance by the City of its obligations under the Subordinate General Resolution, this Contract of Purchase, the Escrow Agreement and the Continuing Disclosure Certificate will not, in any material respect, conflict with or constitute a breach of or default under any existing constitutional provision, law or administrative regulation of the State of California or the United States binding on the City or any existing applicable judgment or court decree binding on the City, or any existing loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party, which

conflict, breach or default would materially adversely affect the ability of the City to pay the principal and interest on the Series 2022-C Bonds. The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied on.

(i) Except as disclosed in the Official Statement, there is no action, suit or proceeding, at law or in equity, before or by any court, pending against the City (service of process against the City having been made) or, to the knowledge of the officer of the City executing this Contract of Purchase, overtly threatened in writing (i) in any way questioning the existence of the City or the titles of the Authorized City Representatives (as defined in the Twenty-Seventh Subordinate Supplemental Resolution) to their respective offices; (ii) seeking to prohibit, restrain or enjoin the adoption of the Twenty-Seventh Subordinate Supplemental Resolution, the issuance or delivery of the Series 2022-C Bonds, or application of the proceeds of sale of the Series 2022-C Bonds, or in any way contesting the validity of the Subordinate General Resolution, the Ordinance, the Series 2022-C Bonds, the Continuing Disclosure Certificate, the Escrow Agreement or this Contract of Purchase, or the tax-exempt status of interest due with respect to the Series 2022-C Bonds or any authority for the execution and delivery of the Series 2022-C Bonds, or the execution and delivery by the City of the Continuing Disclosure Certificate, the Escrow Agreement or this Contract of Purchase; or (iii) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(j) Except as disclosed in the Official Statement, there is no action, suit or proceeding, at law or in equity, before or by any court, pending against the City (service of process against the City having been made) or, to the knowledge of the officer of the City executing this Contract of Purchase), overtly threatened in writing, which would result in any material adverse change to the financial condition of the System and the SCM Fund.

(k) The City will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Underwriters as necessary (i) to qualify the Series 2022-C Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (ii) to determine the eligibility of the Series 2022-C Bonds for investment under the laws of such states and other jurisdictions, and will use its commercially reasonable efforts to continue such qualifications in effect so long as required for the distribution of the Series 2022-C Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(l) All approvals, consents and orders of any California or United States governmental authority having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with, the execution, sale and delivery of the Series 2022-C Bonds under this Contract of Purchase have been obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2022-C Bonds; and, except as disclosed in the Official Statement, all approvals, consents and orders of any California or United States governmental authority having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially

adversely affect the due performance by the City of its obligations under, the City Documents have been obtained.

(m) The Preliminary Official Statement (other than the information contained in the Preliminary Official Statement with respect to The Depository Trust Company (“DTC”) or the book-entry system) did not, on the date thereof, and through the period up to the execution of this Contract of Purchase, contain any untrue statement of a material fact or omit to state a material fact (other than information permitted to be omitted pursuant to Rule 15c2-12) necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(n) At the time of the City’s acceptance hereof and up to and including the time of Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except that no representation is made with respect to the information in the Official Statement relating to DTC and the book-entry system.

(o) If the Official Statement is supplemented or amended pursuant to subsection (p) of this section 7, the City agrees that, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such section) at all times during the period from the date of this Contract of Purchase to and including the date which is 25 days after the end of the underwriting period (as determined in accordance with section 17 hereof), the Official Statement, as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except that the City shall have no responsibility with respect to the information in the Official Statement relating to DTC and the book-entry system.

(p) If between the date of this Contract of Purchase and that date which is 25 days after the end of the underwriting period (as determined in accordance with section 17 hereof) any event shall occur or be discovered that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriters of any such event of which it has knowledge and, if in the reasonable opinion of the Underwriters such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City shall prepare and furnish to the Underwriters (i) a reasonable number of copies of a supplement or amendment to the Official Statement in form and substance reasonably acceptable to the Underwriters and (ii) if such notification shall be subsequent to the Closing, such legal opinions, certificates, instruments and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(q) The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax-exempt status of the interest on the Series 2022-C Bonds.

(r) Any certificate signed by any officer of the City and delivered to the Underwriters pursuant to the City Documents or any document contemplated thereby shall be deemed a representation and warranty by the City to the Underwriters as to the statements made therein.

(s) The City is not in payment default and at no time in the past ten years has been in payment default with respect to any SCM Fund obligations incurred by it of a character similar to the Series 2022-C Bonds.

(t) The financial statements of, and other financial information regarding the City in the Official Statement fairly present the financial position and results of operations with respect to the System as of the dates and for the periods therein set forth. The financial statements with respect to the System have been prepared in accordance with generally accepted accounting principles consistently applied, except as noted in the Official Statement. Except as disclosed in the Official Statement, there has not been any materially adverse change in the financial condition of the System or in its operations since June 30, 2021 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(u) The description of the application of the proceeds from the sale of the Series 2022-C Bonds contained in the Official Statement is true, accurate and complete in all material respects.

(v) During the last five years, the City has not failed to materially comply with any previous undertakings relating to continuing disclosure of information pursuant to Rule 15c2-12, except as noted in the Preliminary Official Statement and the Official Statement.

8. Closing. At 9:00 a.m., Los Angeles time, on _____, 2022, or at such other time or on such later date as shall have been mutually agreed upon by the City and the Representative, the City shall deliver to DTC in New York, New York, on behalf of the Underwriters, the Series 2022-C Bonds, in definitive form duly executed by the City, and the Underwriters shall accept such delivery to DTC and shall pay the purchase price of the Series 2022-C Bonds as set forth in section 1(a) hereof, by delivering federal or other immediately available funds in the amount of \$_____ to the City. The City shall deliver to the Underwriters the other documents hereinafter mentioned at the offices of Nixon Peabody LLP in Los Angeles, California or such other place as shall have been mutually agreed upon by the City and the Representative. Such payment and delivery is herein called the "Closing." The Series 2022-C Bonds shall be prepared in fully registered form without coupons, in authorized denominations shall bear CUSIP numbers and shall be registered in the name of "Cede & Co.," as nominee of DTC; there shall be one (1) bond for each maturity of the Series 2022-C Bonds (and, if Series 2022-C Bonds of the same maturity bear interest at different rates, for each Series 2022 Bond of such maturity bearing interest at a different rate) and the Series 2022-C Bonds shall be made available for inspection by the Underwriters at least one business day prior to the Closing.

9. Closing Conditions. The Underwriters have entered into this Contract of Purchase in reliance upon the representations of the City contained herein and the performance by the City of its respective obligations hereunder both as of the date hereof and as of the date of Closing. The Underwriters' obligations under this Contract of Purchase shall be conditioned upon the performance by the City of its obligations to be performed hereunder and under the other documents and instruments delivered in connection with the execution and delivery of the Series 2022-C Bonds and shall also be subject to the following further conditions:

(a) The representations of the City contained herein shall be true, complete and correct in all material respects on the date hereof and true, complete and correct in all material respects on the date of the Closing.

(b) At the time of the Closing (i) the City Documents shall be in full force and effect in accordance with their terms and shall not have been amended, modified or supplemented and the

Official Statement shall not have been supplemented or amended, except in each case as may have been agreed to by the Representative, and (ii) the City shall perform or have performed its obligations under the City Documents which are required to be performed at or prior to the Closing.

(c) At or prior to the Closing, the Underwriters shall receive the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the City by an Authorized City Representative;

(2) Certified copies of the Subordinate General Resolution, the Twenty-Seventh Subordinate Supplemental Resolution, and the Ordinance and an executed copy of the Continuing Disclosure Certificate, the Escrow Agreement and a tax certificate, in form and substance reasonably satisfactory to Bond Counsel and the City, executed on behalf of the City by an Authorized City Representative;

(3) The opinion of Nixon Peabody LLP, Bond Counsel, dated the date of the Closing, in substantially the form attached to the Official Statement as Appendix F, together with a letter, dated the date of the Closing, from such Bond Counsel addressed to the Underwriters stating that the Underwriters may rely on such opinion as though it was addressed to them;

(4) The opinion of Nixon Peabody LLP, Bond Counsel, dated the date of the Closing and addressed to the Underwriters, in substantially the form set forth in Exhibit A hereto;

(5) The opinion of Nixon Peabody LLP, Bond Counsel, dated the date of the Closing and addressed to the City, the Escrow Agent and the Underwriters, to the effect that the 2012-A Bonds, 2012-B Bonds and 2012-C Bonds have been defeased in accordance with the Subordinate General Resolution;

(6) An opinion of the City Attorney, dated the date of the Closing and addressed to the Underwriters, in substantially the form set forth in Exhibit C hereto;

(7) The opinion of counsel to the Escrow Agent, dated the Closing Date and addressed to the City and the Underwriters, to the effect that (i) the Escrow Agent has duly authorized, executed and delivered the Escrow Agreement; and (ii) the Escrow Agreement constitutes a legally valid and binding obligation of the Escrow Agent, enforceable against the Escrow Agent in accordance with its terms, except that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity;

(8) A certificate of an Authorized City Representative, dated the date of Closing, to the effect that each of the representations set forth in section 7 of this Contract of Purchase is true, accurate and complete in all material respects as of the Closing and each of the agreements of the City, as set forth in this Contract of Purchase to be complied with at or prior to the Closing, has been complied with in all material respects;

(9) Evidence reasonably satisfactory to the Underwriters that, as of the date of Closing, the rating on the Series 2022-C Bonds are “___” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, “___” by Fitch Ratings and “___” by Kroll Bond Rating Agency;

(10) The opinion of Kutak Rock LLP, Disclosure Counsel, dated the date of Closing in substantially the form attached hereto as Exhibit B addressed to the City and accompanied by a reliance letter from Disclosure Counsel to the effect that such opinion may be relied upon by the Underwriters to the same effect as if such opinion were addressed to them;

(11) The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Underwriters' Counsel, dated the date of Closing and addressed to the Underwriters, in form and substance satisfactory to the Underwriters;

(12) A report of Causey Demgen & Moore, Inc. stating that the firm has verified the mathematical accuracy of certain computations relating to the defeasance of the 2012-A Bonds, 2012-B Bonds, and 2012-C Bonds; and

(13) Such additional legal opinions, certificates, instruments and other documents as the Underwriters, Disclosure or Bond Counsel may reasonably deem necessary to evidence the due execution and delivery of the Series 2022-C Bonds, the truth and accuracy as of the time of the Closing of the City's representations contained in section 7 hereof and performance in all material respects by the City at or prior to the time of the Closing of all agreements then to be performed and all conditions then to be satisfied by the City pursuant to the City Documents.

The opinions and certificates and other material referred to above shall be in form and substance reasonably satisfactory to the Representative.

10. Termination. The Representative shall have the right to terminate the Underwriters' obligations under this Contract of Purchase to purchase, to accept delivery of and to pay for the Series 2022-C Bonds by notifying the City of the Underwriters' election to do so if, after the execution hereof and prior to the Closing:

(a) the marketability of the Series 2022-C Bonds or the market price thereof, in the reasonable opinion of the Representative (after consultation with the City), has been materially adversely affected by (i) an amendment to the Constitution of the United States, (ii) any legislation (A) enacted by the United States or the State of California, (B) recommended to the Congress or, except as disclosed in the Official Statement, otherwise endorsed for passage, by press release, other form of notice or otherwise, by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or (C) presented as an option for consideration by either such Committee, by the staff of such Committee or by the staff of the Joint Committee on Taxation of the United States Congress, or favorably reported for passage to either House of the Congress by any Committee of such House or by a Conference Committee of both Houses to which such legislation has been referred for consideration, or (iii) any decision of any court of the United States or by any ruling or regulation (final, temporary or proposed) on behalf of the Treasury Department of the United States, the Internal Revenue Service or any other authority of the United States or any comparable legislative, judicial or administrative development affecting the federal or state tax status of the City, its property or income, or the federal or state income tax treatment of interest on its obligations, including the Series 2022-C Bonds;

(b) there shall have occurred the outbreak or escalation of hostilities involving the United States or a national or international calamity or crisis, or the declaration by the United States of a national emergency or war, which in the reasonable judgment of the Representative (after

consultation with the City) have had a materially adverse effect on the marketability of the Series 2022-C Bonds or the market price thereof;

(c) there shall have occurred the declaration of a general banking moratorium by any authority of the United States, the State of New York or the State of California or a major financial crisis or material disruption in commercial banking or securities settlement or clearance services shall have occurred which, in the reasonable opinion of the Representative (after consultation with the City), materially adversely affects the marketability of the Series 2022-C Bonds or the market price thereof;

(d) there shall have been any downgrading, suspension or withdrawal, or any official statement as to a possible downgrading, suspension or withdrawal of any underlying rating on bonds secured by the Revenues by any rating service which has rated the Series 2022-C Bonds;

(e) a general suspension of trading shall have occurred, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required and be in force on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction;

(f) an event described in subsection (p) of section 7 shall have occurred or be discovered which in the reasonable opinion of the Representative (after consultation with the City) requires the preparation and publication of a supplement or amendment to the Official Statement;

(g) a tentative decision with respect to legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or legislation shall be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or a decision by a court of the United States, or action (including a stop order) shall be taken or a regulation shall be issued by the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject, the effect of which, in the opinion of the Representative, could be that either (i) the Series 2022-C Bonds are not, or may not be, exempt from the registration, qualification or other similar requirements of the Securities Act of 1933, as amended (the "Securities Act"), or (ii) the Subordinate General Resolution is not, or may not be, exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act");

(h) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Series 2022-C Bonds, or issued a stop order or similar ruling relating thereto; or

(i) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall have imposed additional material restrictions not in force as of the date hereof upon trading in securities generally or shall have imposed, as to any bonds or similar obligations, any material, restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters.

11. Expenses.

(a) The City shall pay any expenses incident to the performance of the City's obligations hereunder, including but not limited to the following: (i) the cost of the preparation, printing and delivery of the Series 2022-C Bonds; (ii) the fees for bond ratings; (iii) the cost of printing and

distribution of the Preliminary Official Statement and the Official Statement; (iv) the fees and disbursements of Bond Counsel; (v) the fees and disbursements of Disclosure Counsel; (vi) the fees and disbursements of any other engineers, accountants, attorneys, verification agent and other experts or consultants or advisors retained by the City; (vii) the expenses to qualify the Series 2022-C Bonds for sale under any Blue Sky Laws; and (viii) any other costs and disbursements incurred by the City in connection with the transaction. The City shall reimburse the Underwriters for expenses (included in the expense component of the Underwriters' spread) incurred on behalf of the City's employees which are incidental to implementing this Contract of Purchase, including, but not limited to, meals, transportation and lodging of those employees.

(b) The Underwriters shall pay their own expenses including but not limited to the fees and disbursements of any attorneys retained by the Underwriters. The Underwriters are required to pay fees to the California Debt and Investment Advisory Commission in connection with the sale of the Series 2022-C Bonds. Notwithstanding that such fees are solely the legal obligation of the Underwriters, the City agrees to reimburse the Underwriters for such fees through inclusion in the underwriters' discount.

12. Notices. Any notice or other communication to be given to the City under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) may be given by giving the same in writing to the City of Los Angeles, Office of the City Administrative Officer, 200 North Main Street, Room 1500, City Hall East, Los Angeles, California 90012, Attention: Debt Management Group; and any notice or other communication to be given to the Underwriters under this Contract of Purchase may be given by delivering the same in writing to Jefferies LLC, 11100 Santa Monica Blvd., 12th Floor, Los Angeles, California 90025, Attention: [Simon Wirecki].

13. Governing Law; Venue. This Agreement was made and entered into in the City and shall be governed by, interpreted and enforced in accordance with the laws of the State of California and the City, including any applicable statute of limitation, without regard to conflict of law principles. All litigation arising out of, or relating to this Agreement, shall be brought in a State or Federal court in the County of Los Angeles in the State of California. The parties irrevocably agree to submit to the exclusive jurisdiction of such courts in the State of California and waive any defense of forum non conveniens.

14. Parties in Interest. This Contract of Purchase when executed by the City shall constitute the entire agreement between the City and the Underwriters and is made solely for the benefit of the City and the Underwriters (including the successors or permitted assigns of any of the Underwriters but does not include any purchasers of the Series 2022-C Bonds from the Underwriters). No other person shall acquire or have any right hereunder or by virtue hereof. All of the representations (as of the date such representations were made) of the City contained in this Contract of Purchase shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Underwriters. This Contract of Purchase may not be assigned by any party without the written consent of the other party.

15. Effective Date. This Contract of Purchase shall be effective upon the execution hereof by the Representative, on behalf of the Underwriters, and the City.

16. Headings. The headings of the sections of this Contract of Purchase are inserted for convenience only and shall not be deemed to be a part hereof.

17. End of Underwriting Period. The term “end of the underwriting period” referred to in sections 7(o) and (p) of this Contract of Purchase shall mean the later of such time as (i) the City delivers the Series 2022-C Bonds to the Underwriters or (ii) the Underwriters do not retain an unsold balance of the Series 2022-C Bonds for sale to the public. Unless the Underwriters gives notice to the contrary, the end of the underwriting period shall be deemed to be the date of the Closing. Any notice delivered pursuant to this section 17 shall be delivered in writing to the City at or prior to the date of the Closing, and shall specify a date, other than the date of the Closing (or such other date specified by notice delivered pursuant to this section 17), to be deemed the end of the underwriting period.

18. Representation by Counsel. Each party hereto represents and acknowledges that it has been represented by competent counsel in connection with the negotiation and execution of this Agreement, and has been fully advised by said counsel with respect to its rights and obligations hereunder.

19. Representations, Warranties and Agreements to Survive Delivery. The representations, warranties, indemnities, agreements and other statements of the City and the Underwriters or their officers or partners set forth in, or made pursuant to, this Contract of Purchase will remain operative and in full force and effect regardless of any investigation made by or on behalf of the City or the underwriters or any controlling person and will survive delivery of and payment for the Series 2022-C Bonds.

20. Counterparts. This Contract of Purchase may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. The parties further agree that facsimile signatures or signatures scanned into PDF format (or signatures in another electronic format designated by the City) and sent by e-mail shall be deemed original signatures.

21. City Standard Provisions. Each of the Underwriters agrees that it will comply with the Standard Provisions for City Contracts attached hereto as Exhibit F.

22. Iran Contracting Act of 2010. In accordance with California Public Contract Code Sections 2200-2208, all bidders submitting proposals for, entering into, or renewing contracts with the City of Los Angeles for goods and services estimated at \$1,000,000 or more are required to complete, sign, and submit the “Iran Contracting Act of 2010 Compliance Affidavit.” Each of the Underwriters shall complete, sign, and submit the “Iran Contracting Act of 2010 Compliance Affidavit” prior to the date of the execution of this Contract of Purchase.

[Signatures appear on next page.]

Very truly yours,

JEFFERIES LLC
Goldman Sachs & Co., Inc.
Cabrera Capital Markets, LLC
Drexel Hamilton, LLC
Morgan Stanley & Co. LLC
Siebert Williams Shank & Co., LLC

By: _____
JEFFERIES LLC,
as representative of the Underwriters

Agreed and Accepted:

This ___ day of _____, 2022

CITY OF LOS ANGELES

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM

This ___ day of _____, 2022

MICHAEL N. FEUER
City Attorney

By: _____
Deputy City Attorney

SCHEDULE I

Maturity Schedule

\$ _____

City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C

| <u>Year</u> <u>(June 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> |
|--------------------------------|-----------------------------------|--------------------------------|--------------|--------------|
| | \$ | % | % | |

\$ _____ % Term Bonds due June 1, 20__ Yield: _____% Price _____

\$ _____ % Term Bonds due June 1, 20__ Yield: _____% Price _____

C Priced to par call on June 1, 20__.

* 10% Test Maturities

** Hold-the-Price Maturities

Redemption Provisions

Redemption of the Series 2022-C Bonds

[Optional Redemption.] The Series 2022-C Bonds maturing before June 1, 20__ are not subject to redemption before their stated maturities. The Series 2022-C Bonds maturing on and after June 1, 20__ are subject to redemption, as a whole or in part as designated by the City, or, absent such designation, *pro rata* among maturities and by lot within any one maturity if less than all of the Series 2022-C Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the City, on any date on or after June 1, 20__, at a redemption price equal to the principal amount of the Series 2022-C Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.]

Mandatory Sinking Fund Redemption. The Series 2022-C Bonds with a stated maturity date of June 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, commencing on June 1, 20__, and on each June 1 thereafter until maturity, in accordance with the terms of the following mandatory sinking fund redemption schedule (subject to adjustment in the event of an optional redemption of the Series 2022-C Bonds, as provided in the Twenty-Seventh Subordinate Supplemental Resolution):

Series 2022 Term Bonds Maturing June 1, 20__

| Redemption Date (June 1) | Principal Amount |
|-----------------------------|------------------|
| _____ | _____ |

(maturity)

EXHIBIT A

FORM OF SUPPLEMENTAL OPINION

[TO COME FROM NIXON PEABODY LLP]

EXHIBIT B

FORM OF OPINION OF DISCLOSURE COUNSEL

_____, 2022

City of Los Angeles
Office of the City Administrative Officer
200 North Main Street
Room 1500, City Hall East
Los Angeles, California 90012-4137

\$ _____
CITY OF LOS ANGELES
Wastewater System Subordinate Revenue
Bonds, Series 2022-C

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of Los Angeles (the “City”) in connection with the issuance of the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-C in the aggregate principal amount of \$ _____ (the “Series 2022-C Subordinate Bonds”). The Series 2022-C Subordinate Bonds are being issued pursuant to the Charter of the City of Los Angeles (the “City Charter”), Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”) and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 et seq. and Section 53580 et seq., respectively) of the California Government Code (as amended, the “Refunding Law”). The Series 2022-C Bonds are also issued pursuant to the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”), including as amended and supplemented by the Twenty-Seventh Supplemental Resolution, adopted by the City Council on January __, 2022 (the “Twenty-Seventh Supplemental Resolution”). As such counsel, we have participated in the preparation of certain documents, including the Preliminary Official Statement, dated _____, 2022 with respect to the Series 2022-C Subordinate Bonds (the “Preliminary Official Statement”) and the Official Statement, dated _____, 2022 with respect to the Series 2022-C Subordinate Bonds (the “Official Statement”). This letter is being delivered pursuant to the requirements of the Contract of Purchase, dated _____, 2022 (the “Contract of Purchase”), by and between the City and Jeffries LLC, for itself and as representative of Citigroup Capital Markets, Inc., Cabrera Capital Markets, LLC, Drexel Hamilton, LLC, Morgan Stanley & Co. LLC and Siebert Williams Shank & Co., LLC, as the underwriters (collectively, the “Underwriters”) relating to the Series 2022-C Subordinate Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Contract of Purchase.

In our capacity as Disclosure Counsel, we have participated with you and other parties in the preparation of the Preliminary Official Statement and the Official Statement. In the course of such participation, we have generally reviewed information furnished to us by, and have participated in conferences and telephone conversations with, representatives of the Underwriters; representatives of Nixon Peabody LLP, as Bond Counsel; representatives of Best Stradling Yocca Carlson & Rauth, a

Professional Corporation, as Counsel to the Underwriters; and your representatives (including your municipal advisors). We have also reviewed certain documents, certificates and opinions delivered pursuant to the Contract of Purchase, other documents and records relating to the authorization, issuance and delivery of the Series 2022-C Subordinate Bonds and the certificates of the officials and representatives of the City and others. In addition, we have relied upon, and assumed the correctness of, the certificates of the officials and representatives of the City and others, and upon certain documents, opinions and letters.

Based solely on the foregoing and our review of various documents, agreements, certificates and opinions referred to above, we advise you that, although we have made no independent investigation or verification of the accuracy, fairness or completeness of, and do not pass upon or assume any responsibility for, the statements contained in the Preliminary Official Statement and the Official Statement, during the course of the activities described in the preceding paragraph, no information came to the attention of attorneys of our firm rendering legal services in connection with the Preliminary Official Statement and the Official Statement which causes us to believe that the Preliminary Official Statement, as of its date, and the Official Statement, as of its date and as of the date of this letter (except for information therein with respect to The Depository Trust Company or with respect to any financial, numerical or statistical data, or any estimates, assumptions and expressions of opinion, contained in the Preliminary Official Statement and the Official Statement, including any of the appendices thereto, as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

This letter is issued to and for the sole benefit of the above addressee and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressee may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent; provided, however, a copy may be included in the transcript of the proceedings for the Series 2022-C Subordinate Bonds. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Very truly yours,

[DRAFT]

_____, 2022

Jeffries LLC
Los Angeles, California

Drexel Hamilton, LLC
New York, New York

Citigroup Capital Markets, Inc.
Los Angeles, California

Morgan Stanley & Co., LLC
San Francisco, California

Cabrera Capital Markets, LLC
Los Angeles, California

Siebert Williams Shank & Co., LLC
Los Angeles, California

\$ _____
CITY OF LOS ANGELES
Wastewater System Subordinate Revenue
Bonds, Series 2022-C

Ladies and Gentlemen:

In connection with the delivery of the above referenced Series 2022-C Subordinate Bonds (the “Series 2022-C Subordinate Bonds”), we have delivered a negative assurance letter dated the date hereof and addressed to the City of Los Angeles concerning certain matters relating to the Preliminary Official Statement, dated _____, 2022, with respect to the Series 2022-C Subordinate Bonds, and the Official Statement, dated _____, 2022, with respect to the Series 2022-C Subordinate Bonds.

You may rely on our statements contained in such negative assurance letter as though the same were addressed to you.

Very truly yours,

[DRAFT]

EXHIBIT C
FORM OF OPINION OF
THE CITY ATTORNEY OF THE CITY OF LOS ANGELES

_____, 2022

City of Los Angeles
Los Angeles, California

Jefferies LLC,
as Representative of the Underwriters
Los Angeles, California

\$ _____
CITY OF LOS ANGELES
Wastewater System Subordinate
Revenue Bonds, Refunding Series
2022-C

Ladies and Gentlemen:

This office has served as counsel to the City of Los Angeles (the “City”) and has participated in the proceedings relating to the issuance of the \$ _____ City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C (the “Series 2022-C Bonds”).

The Series 2022-C Bonds are being issued by the City pursuant to the Charter of the City of Los Angeles (the “Charter”), Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”), the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”), including as amended and supplemented by the Twenty-Seventh Supplemental Resolution, adopted by the City Council on _____, 2022 (the “Twenty-Seventh Subordinate Supplemental Resolution”), and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 et seq. and Section 53580 et seq., respectively) of the California Government Code, as amended. This letter is being delivered pursuant to Section 9(c)(5) of the Contract of Purchase, dated _____, 2022 (the “Contract of Purchase”), by and between the City and Jefferies LLC, as representative of itself and the underwriters named therein (the “Underwriters”). Capitalized terms not otherwise defined herein shall have the respective meanings ascribed thereto in the Subordinate General Resolution or, if not defined in the Subordinate General Resolution, in the Contract of Purchase.

In the course of the proceedings relating to the issuance of the Series 2022-C Bonds and in connection with the delivery of the opinions stated in this letter, we have examined originals or copies of the following:

- (a) The Charter;
- (b) The Subordinate General Resolution;
- (c) The Twenty-Seventh Subordinate Supplemental Resolution;
- (d) Ordinance No. _____, adopted by the City Council on _____, 2022 (the “Ordinance”);
- (e) The Contract of Purchase;
- (f) The Continuing Disclosure Certificate, dated _____, 2022 (the “Continuing Disclosure Certificate”), executed by the City;
- (g) Escrow Agreement, dated _____, 2022, by and between the City and U.S. Bank National Association, as Escrow Agent (the “Escrow Agreement”) relating to the 2012-A Bonds, the 2012-B Bonds and the 2012-C Bonds;
- (h) The Official Statement dated _____, 2022, relating to the Series 2022-C Bonds (the “Official Statement”)
- (i) Closing Certificate of the City of Los Angeles, dated of even date herewith and executed by the Assistant City Administrative Officer and a Deputy City Clerk; and
- (j) Such other records, documents, agreements, instruments, opinions, certificates and other matters as we deemed relevant, necessary or appropriate to render the opinions set forth below.

As to relevant factual matters, we have relied upon without undertaking to verify independently, among other things, the City’s factual representations contained in the records, documents, agreements, instruments, certificates, including the certified proceedings and certifications of City officials and others furnished to us in connection with the Series 2022-C Bonds and related matters, and other matters described above. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies. The Contract of Purchase, the Continuing Disclosure Certificate, and the Escrow Agreement are collectively referred to herein as the “City Documents.”

From such examination, on the basis of our reliance upon the assumptions in this letter and our consideration of those questions of existing law we considered relevant, and subject to the limitations and qualifications in this letter, as of the date hereof, we are of the following opinions:

1. The City is a charter city and municipal corporation of the State of California duly organized and existing under the Constitution of the State of California and the Charter.

2. The Twenty-Seventh Subordinate Supplemental Resolution and the Ordinance were each duly adopted by the City Council at a meeting which was held pursuant to the terms of the Charter and all other applicable law and with all required notice having been given and at which a quorum was present at the time of adoption of such Twenty-Seventh Subordinate Supplemental Resolution and Ordinance. The Twenty-Seventh Subordinate Supplemental Resolution and the Ordinance have not been modified, amended or rescinded and are in full force and effect on and as of the date hereof.

3. The issuance and delivery of the Series 2022-C Bonds has been duly authorized by the City.

4. The City Documents and the Official Statement have been duly authorized, executed and delivered by the City.

5. To the best of our knowledge, the adoption of the Twenty-Seventh Subordinate Supplemental Resolution and the Ordinance and the execution and delivery of the City Documents and the Official Statement by the City do not, in any material respect (a) violate any State of California constitutional provision, or any applicable judgment, order or regulation applicable to the City or any Charter provision, law or ordinance of the City that we have, in the exercise of customary professional diligence, recognized as applicable to the City and the transactions contemplated by the City Documents, and (b) conflict with or result in a breach of any of the provisions of or constitute a default under any indenture, agreement or other instrument to which the City is a party or by which it is bound and relating to the System, and with respect to which, where such violation, conflict, breach or default would materially or adversely affect the ability of the City to pay principal and interest on the Series 2022-C Bonds.

6. To the best of our knowledge, and except as otherwise set forth in the Official Statement, there is no action, suit or proceeding before or by any court, public board or body pending (with service of process having been given to the City) or threatened against the City wherein an unfavorable decision, ruling or finding would (a) question the creation, organization, existence or powers of the City or the titles of the Authorized City Representatives (as defined in the Twenty-Seventh Subordinate Supplemental Resolution) to their respective offices, (b) seek to restrain or enjoin the issuance or delivery of the Series 2022-C Bonds, (c) in any way contest the validity of the Series 2022-C Bonds, the Subordinate General Resolution, the Ordinance or any of the City Documents, (d) contest the power of the City to issue the Series 2022-C Bonds, or (e) have a material adverse effect on the City's ability to make payment on the Series 2022-C Bonds from Revenues.

We express no opinion on the enforceability of the Subordinate General Resolution, the Series 2022-A Bonds or the City Documents against the City.

The law covered by the opinions expressed herein is limited to the present law of the State of California. We express no opinion as to the laws of any other jurisdiction, and we express no opinion as to any Blue Sky laws, federal and state securities laws and tax laws. Furthermore, the imposition of fees and charges by the City relating to the System may be

subject to the provisions of Articles XIII C and XIII D of the Constitution of the State of California.

The matters set forth in paragraph 6 are factual confirmations and not legal opinions.

The opinions set forth herein may be affected by actions taken or omitted by the City or other parties, or by events, facts or circumstances occurring after the date hereof. This letter speaks only as of the date hereof and we do not undertake, and expressly disclaim, any obligation to amend or supplement this letter as events, facts and circumstances come to our attention, or changes in law occur, after the date hereof which could affect the opinions set forth herein.

The opinions expressed herein are matters of professional judgment and are not a guarantee of result. 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. This letter is given in an official capacity only and not personally, and no personal liability shall derive therefrom.

This letter is for the sole benefit of the addressees hereof and is not to be used, circulated, quoted or otherwise referred to for any purpose; provided, however, that it may be included in the transcript of record of proceedings relating to the Series 2022-C Bonds. No other person may rely on this letter without our prior written consent. Other than the City, no attorney-client relationship has existed or exists between our office and the addressees of this letter in connection with the Series 2022-C Bonds or by virtue of this letter.

Very truly yours,

MICHAEL N. FEUER,
City Attorney

By: _____
Amy Pham
Deputy City Attorney

EXHIBIT D

\$ _____

CITY OF LOS ANGELES

**Wastewater System Subordinate Revenue Bonds
Refunding Series 2022-C**

FORM OF ISSUE PRICE CERTIFICATE OF THE REPRESENTATIVE

The undersigned, on behalf of Jefferies LLC (the “Representative”), on behalf of themselves and Goldman Sachs & Co., Inc., Cabrera Capital Markets, LLC, Drexel Hamilton, LLC, Morgan Stanley & Co. LLC, and Siebert Cisneros Shank & Co., L.L.C. (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the \$ _____ City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C (the “Series 2022-C Subordinate Bonds”). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Tax Certificate relating to the Series 2022-C Subordinate Bonds, to which this certificate is attached.

1. ***Sale of the 10% Maturities.*** As of the date of this certificate, for each Maturity of the Series 2022-C Subordinate Bonds, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A. All of the maturities are 10% Test Maturities.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) [The Underwriting Group offered the Hold-the-Offering Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Series 2022-C Subordinate Bonds is attached to this certificate as Schedule B.] In making the representations set forth in this Section 2(a) with respect to the activities of the other underwriters, the Representative has relied on each other underwriter’s representation to the Representative confirming such underwriter has complied with its obligations set forth in (x) the agreement among underwriters, any selling group agreement and any third-party distribution agreement, as applicable, and (y) the related pricing wires.

(b) As set forth in the Contract of Purchase the Representative has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Series 2022-C Subordinate Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. No Underwriter has offered or sold any unsold Series 2022-C Subordinate Bonds of any

Maturity of the Series 2022-C Subordinate Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Series 2022-C Subordinate Bonds during the Holding Period.

3. ***Defined Terms.***

(a) *10% Test Maturities* means those Maturities of the Series 2022-C Subordinate Bonds listed in Schedule A hereto as the “10% Test Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Series 2022-C Subordinate Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold the Offering Price Maturity.

(d) *Issuer* means the City of Los Angeles.

(e) *Maturity* means Series 2022-C Subordinate Bonds with the same credit and payment terms. Series 2022-C Subordinate Bonds with different maturity dates, or Series 2022-C Subordinate Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Series 2022-C Subordinate Bonds. The Sale Date of the Series 2022-C Subordinate Bonds is _____, 2022.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2022-C Subordinate 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 Series 2022-C Subordinate Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2022-C Subordinate Bonds to the Public).

4. ***Other Certifications.***

(a) The aggregate of the Initial Offering Prices of the Series 2022-C Subordinate Bonds is \$_____.

(b) We have provided the attached schedules, at the direction of Bond Counsel, relating to the calculation of the arbitrage yield with respect to the Series 2022-C Subordinate Bonds.

(c) We have provided the attached schedules, at the direction of Bond Counsel, relating to the calculation of the weighted average maturity of the Series 2022-C Subordinate Bonds. We have performed this calculation using the following formula: we calculated the total number of bond years and divided that number into the total initial offering price of the bonds of the offering. For purposes of calculating the total bond years, we calculated the sum of the products of each respective maturity's initial offering price and the number of years from the dated date to each respective maturity, doing so on a 12-month, 360-day year basis.

We express no view regarding the legal sufficiency of any of the above computations or the correctness of any legal interpretation made by Bond Counsel. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative'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 Series 2022-C Subordinate Bonds, and by Nixon Peabody LLP in connection with rendering its opinion that the interest on the Series 2022-C Subordinate 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 Series 2022-C Subordinate Bonds. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by the other members of the Underwriting Group.

JEFFERIES LLC, on behalf of itself and as
Representative of the Underwriting Group

By: _____
Authorized Representative

Dated: _____, 2022

SCHEDULE A
SALE PRICES OF THE 10% TEST MATURITIES AND INITIAL OFFERING
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

\$ _____
City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C

| <u>Year (June 1)*</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> |
|---------------------------|-----------------------------|--------------------------|--------------|--------------|
| | \$ | % | % | |

\$ _____ % Term Bonds due June 1, 20__ Yield: ____ % Price _____

\$ _____ % Term Bonds due June 1, 20__ Yield: ____ % Price _____

C Priced to par call on June 1, 20__.

* 10% Test Maturities

** Hold-the-Price Maturities

SCHEDULE B TO ISSUE PRICE CERTIFICATE

[ATTACH PRICING WIRE OR EQUIVALENT COMMUNICATION]

EXHIBIT E

Standard Provisions for City Contracts

Each Underwriter, on its own behalf and not on behalf of any other Underwriter, agrees to comply with the following requirements of the City of Los Angeles (the “City”):

Section 1. Independent Contractor. Each Underwriter is an independent contractor and not an agent or employee of the City. Each Underwriter 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 Underwriters shall maintain all records, including records of financial transactions, pertaining to the performance of this Contract of Purchase, 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 the City or (2) the expiration or termination of this Contract of Purchase. The records will be subject to examination and audit by authorized City personnel or the City’s representatives at any time. The Underwriters shall provide any reports requested by the City regarding performance of this Contract of Purchase. Any subcontract entered into by any Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

In lieu of retaining the records for the term as prescribed in this provision, the Underwriters 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 Contract of Purchase.

Section 3. Taxpayer Identification Number (“TIN”) and Withholding Taxes. The Representative 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 Contract of Purchase. Payments made under the Contract of Purchase 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. Indemnification. The Underwriters shall defend, indemnify and hold harmless the City and the City’s boards, officers, agents, employees, assigns and successors in interest from and against all suits and causes of action, claims, losses, demands and expenses, including but not limited to attorneys’ fees and costs of litigation, to the extent such suits and causes of action, claims, losses, demands and expenses arise out of or are based upon information provided by the Underwriters to the City for use in the Official Statement under the heading “UNDERWRITING.”

Section 5. Insurance. During the term of this Contract of Purchase, each Underwriter shall provide and maintain at its own expense professional liability insurance in the amount of One Million Dollars (\$1,000,000) which covers the services performed pursuant to this Contract of Purchase, and that it will expend every reasonable effort to keep such insurance or its equivalent in effect at all times during performance of the Contract of Purchase and for one (1)

year after the termination of the Contract of Purchase. The insurance must: (1) conform to the City's requirements; (2) comply with the Insurance Contractual Requirements attached to the Request for Qualifications, and (3) otherwise be in a form acceptable to the Office of the City Administrative Officer, Risk Management.

Section 6. Warranty and Responsibility of the Underwriters. The Underwriters warrant that the work performed under this Contract of Purchase shall be completed in a manner consistent with professional standards practiced among those firms within the Underwriters' profession, doing the same or similar work under the same or similar circumstances.

Section 7. Mandatory Provisions Pertaining to Non-Discrimination in Employment.

Unless otherwise exempt, this Contract of Purchase 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. Each Underwriter 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 Contract of Purchase, each Underwriter 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 Contract of Purchase by reference and will be known as the "Equal Employment Practices" provisions of this Contract of Purchase.
- C. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Contract of Purchase by reference and will be known as the "Affirmative Action Program" provisions of this Contract of Purchase.

Any subcontract entered into by any Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

Section 8. Child Support Assignment Orders. Each Underwriter 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, each Underwriter (and any subcontractor providing services to the City under this Contract of Purchase) shall (1) fully comply with all State and Federal employment reporting requirements for each Underwriter's or the subcontractor's employees; (2) certify that the principal owner(s) of each Underwriter 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 Contract of Purchase.

Failure of any Underwriter 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 any Underwriter or applicable subcontractor to comply with any Wage and Earnings Assignment or Notices of Assignment applicable to them personally, shall constitute a default by such Underwriter under this Contract of Purchase. Failure of any Underwriter or applicable subcontractor or principal owner to cure the default within 90 days of the notice of default will subject this Contract of Purchase to termination for breach. Any subcontract entered into by any Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

Section 9. Access and Accommodations.

Each Underwriter represents and certifies that:

- A. Each Underwriter 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. Each Underwriter 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. Each Underwriter 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 Contract of Purchase 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.

Each Underwriter understands that the City is relying upon these certifications and representations as a condition to funding this Contract of Purchase. Any subcontract entered into by each Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

Section 10. Contractor Responsibility Ordinance. Each Underwriter shall comply with the Contractor Responsibility Ordinance, LAAC Section 10.40 et seq., as amended from time to time.

Section 11. Restrictions on Campaign Contributions and Fundraising in City Elections. Unless otherwise exempt, if this Contract of Purchase is valued at \$100,000 or more and requires approval by an elected City office, each Underwriter, their principals, and any subcontractors expected to receive at least \$100,000 for performance under this Contract of

Purchase, 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 Contract of Purchase 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 Contract of Purchase is signed. Additionally, any Underwriter 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 Underwriter 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 Contract of Purchase:

“Notice Regarding Restrictions on Campaign Contributions and Fundraising in City Elections.

You are a subcontractor in connection with the Contract of Purchase, dated as of _____, 2022 (the “Contract of Purchase”), by and between the City of Los Angeles (the “City”) and Jefferies LLC, as the Representative. 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 Contract of Purchase is signed. You are required to provide the names and contact information of your principals to the underwriting firm 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 Contract of Purchase 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 12. Contractor’s Use of Criminal History for Consideration of Employment Applications. Each Underwriter 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 any Underwriter for work to be performed under this Contract of Purchase must include an identical provision.

Section 13. COVID-19. Employees of each Underwriter and/or persons working on its behalf, including, but not limited to, subcontractors (collectively, “Contractor Personnel”), while interacting in person with City employees, contractors, volunteers or members of the public (collectively, “In-Person Services”) in order to perform services under this Bond Purchase Agreement, must be fully vaccinated against the novel coronavirus 2019 (“COVID-19”) prior to performing such In-Person Services. “Fully vaccinated” means that 14 or more days have passed since Contractor Personnel have received the final dose of a two-dose COVID-19 vaccine series (Moderna or Pfizer-BioNTech) or a single dose of a one-dose COVID-19 vaccine (Johnson & Johnson/Janssen) and all booster doses recommended by the Centers for Disease Control and Prevention. Prior to assigning Contractor Personnel to perform In-Person Services, each Underwriter shall obtain proof that such Contractor Personnel have been fully vaccinated. Each

Underwriter shall retain such proof for the document retention period set forth in this Contract of Purchase. Each Underwriter shall grant medical or religious exemptions (“Exemptions”) to Contractor Personnel as required by law. If any Underwriter wishes to assign Contractor Personnel with Exemptions to perform In-Person Services, such Underwriter shall require such Contractor Personnel to undergo weekly COVID-19 testing, with the full cost of testing to be borne by the Underwriter. If Contractor Personnel test positive, they shall not be assigned to perform In-Person Services or, to the extent they have already been performing In-Person Services, shall be immediately removed from those assignments. Furthermore, to the extent permitted by law, each Underwriter shall as soon as practical notify City if Contractor Personnel performing In-Person Services (1) have tested positive for or have been diagnosed with COVID-19, (2) have been informed by a medical professional that they are likely to have COVID-19, or (3) meet the criteria for isolation under applicable government orders.

As to Exhibit E of this Purchase Agreement:

[UNDERWRITER]

By:_____

Title:_____

ATTACHMENT D

ESCROW AGREEMENT

Dated as of
[April 1], 2022

By and Between

CITY OF LOS ANGELES

and

U.S. BANK NATIONAL ASSOCIATION
as Escrow Agent

RELATING TO
THE CITY OF LOS ANGELES
WASTEWATER SYSTEM REVENUE BONDS, REFUNDING SERIES 2012-A,
WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS,
REFUNDING SERIES 2012-B AND SERIES 2012-C

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of [April 1], 2022 (this “Agreement”), is entered into by and between the CITY OF LOS ANGELES, a charter city in the State of California (the “City”) and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as escrow agent (the “Escrow Agent”).

W I T N E S S E T H

WHEREAS, the City issued Wastewater System Revenue Bonds, Refunding Series 2012-A (the “2012-A Bonds”) pursuant to the Wastewater System Revenue Bonds General Resolution, adopted by the Council of the City (the “Council”) on November 10, 1987, as amended and supplemented (the “General Resolution”), including as amended and supplemented by the Twenty-Sixth Supplemental Resolution, adopted by the Council on March 23, 2012 (the “Twenty-Sixth Supplemental Resolution,” and, together with the General Resolution, the “Original Senior Resolutions”), Wastewater System Subordinate Revenue Bonds, Refunding Series 2012-B (the “2012-B Bonds”) and Series 2012-C (the “2012-C Bonds,” and, together with the 2012-A Bonds and the 2012-B Bonds, the “2012 Bonds”) pursuant to the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council on March 26, 1991 (the “Subordinate General Resolution”), as amended and supplemented, including as amended and supplemented by the Thirteenth Supplemental Resolution, adopted by the Council on March 23, 2012 (the “Thirteenth Supplemental Resolution,” and, together with the Subordinate General Resolution, the “Original Subordinate Resolutions,” and, the Original Subordinate Resolutions together with the Original Senior Resolutions, the “Original Resolutions”);

WHEREAS, the City desires to defease, pay and redeem certain maturities of the outstanding 2012 Bonds;

WHEREAS, the 2012-A Bonds maturing on June 1, 2024 (the “2012-A Callable Bonds”) are subject to redemption, on any date on or after June 1, 2022 at a redemption price equal to the principal amount of the 2012-A Callable Bonds plus accrued interest thereon to the date of redemption, without premium;

WHEREAS, the 2012-B Bonds maturing on or after June 1, 2024 (the “2012-B Callable Bonds”) are subject to redemption, on any date on or after June 1, 2022, at a redemption price equal to the principal amount of the Series 2012-B Callable Bonds plus accrued interest thereon to the date of redemption, without premium;

WHEREAS, the 2012-C Bonds maturing on or after June 1, 2023 (the “2012-C Callable Bonds,” and, together with the 2012-B Callable Bonds, the “Refunded Bonds”) are subject to redemption, on any date on or after June 1, 2022, at a redemption price equal to the principal amount of the 2012-C Callable Bonds plus accrued interest thereon to the date of redemption, without premium;

WHEREAS, the Council adopted a resolution on _____, 2022 authorizing the issuance of refunding bonds to refund and redeem all of the Refunded Bonds (the “Authorizing Resolution”);

WHEREAS, the City has approved the issuance and sale of \$ _____ aggregate principal amount of the City’s Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C (the “Refunding Bonds”), pursuant to the Authorizing Resolution, for the purpose, among other things, of providing funds which will be sufficient, in conjunction with the funds transferred from the Wastewater System Revenue Bonds Debt Service Fund, Refunding Series 2012-A (the “2012A Debt Service Fund”), the Wastewater System Subordinate Revenue Bonds Debt Service Fund, Refunding Series 2012-B (the “2012B Debt Service Fund”) and the Wastewater System Subordinate Revenue Bonds Debt Service Fund, Refunding Series 2012-C (the “2012C Debt Service Fund,” and, together with the 2012A Debt Service Fund and the 2012B Debt Service Fund, the “2012 Debt Service Funds”) to the Escrow Fund, to defease, pay and redeem the Refunded Bonds before their respective maturity dates;

NOW, THEREFORE, in consideration of the following, the City and the Agent 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. Escrow Fund.

(a) There is established a fund (the “Escrow Fund”) to be held in an irrevocably pledged escrow by the Escrow Agent separate and apart from all other funds of the City and the Escrow Agent and to be applied solely as provided in this Agreement. The Escrow Agent is hereby designated by the City as the depository for the Escrow Fund.

(b) Pledge to Refunded Bonds. Pending application as provided in this Agreement, amounts on deposit in the Escrow Fund are hereby pledged and assigned solely to pay: (i) 100% of the principal amount of the Refunded Bonds, plus interest accrued thereon to June 1, 2022 (the “Redemption Date”), without premium (the “Redemption Price”), which amounts shall be held in trust by the Escrow Agent for the holders of the Refunded Bonds.

(c) Deposit of Funds.

(i) There shall be deposited in the Escrow Fund by the Escrow Agent the sum of \$ _____ received from Jefferies LLC upon the issuance and sale of the Refunding Bonds.

(ii) There shall be deposited in the Escrow Fund by the Escrow Agent the sum of \$ _____ transferred from the 2012 Debt Service Funds held by the City to the Escrow Agent for the Refunded Bonds.

(d) The City represents, and Causey Demgen & Moore P.C. (the “Verification Agent”) has verified, that upon the deposit of moneys pursuant to Section 2(c), the moneys on deposit in the Escrow Fund will be at least equal to an amount sufficient to purchase the

aggregate principal amount of the Government Obligations set forth in Exhibit A hereto (the "Exhibit A Securities"), which principal, together with all interest due or to become due on such Exhibit A Securities plus any uninvested amounts in the Escrow Fund, will be sufficient to make the payments required by Section 4 hereof. The Escrow Agent shall use \$ _____ on deposit in the Escrow Fund to purchase the Exhibit A Securities and hold \$ _____ in cash in the Escrow Fund.

SECTION 3. Use and Investment of Moneys in Escrow Fund.

(a) The Escrow Agent hereby acknowledges receipt of the moneys described in Section 2(c) and agrees to invest \$ _____ of such moneys in the Exhibit A Securities upon receipt of certification by the Verification Agent that the Exhibit A Securities will mature in such principal amounts and earn interest in such amounts and, in each case, at such times, so that sufficient moneys will be available from maturing principal and interest on the Exhibit A Securities, to make all payments required by Section 4 hereof.

(b) Upon the written request of the City, but subject to the conditions and limitations herein set forth, the Escrow Agent shall purchase substitute obligations which are direct obligations of the United States of America or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America ("Government Obligations") for the Government Obligations then held hereunder with the proceeds derived from the sale, transfer, redemption or other disposition of Government Obligations then on deposit in the Escrow Fund and any uninvested money then held by the Escrow Agent hereunder in accordance with the provisions of this Section 3(b). Such sale, transfer, redemption or other disposition of Government Obligations then on deposit in the Escrow Fund and substitution of other Government Obligations shall be effected by the Escrow Agent upon the written request of the City but only by a simultaneous transaction and only upon receipt of: (i) certification by a nationally recognized firm of independent certified public accountants that the Government Obligations to be substituted, together with the Government Obligations which will continue to be held in the Escrow Fund, will mature in such principal amounts and earn interest in such amounts and, in each case, at such times so that sufficient moneys will be available from maturing principal and interest on such Government Obligations held in the Escrow Fund, together with any uninvested moneys, to make all payments required by Section 4 hereof which have not previously been made; and (ii) receipt by the Escrow Agent of an opinion of Nixon Peabody LLP or other nationally recognized bond counsel (an "Opinion of Bond Counsel") to the effect that the sale, transfer, redemption or other disposition and substitution of Government Obligations will not cause interest on the Refunded Bonds to be included in gross income for federal tax purposes under relevant provisions of the Code and the regulations thereunder in effect on the date of such sale, transfer, redemption or other disposition and substitution and applicable to obligations issued on the date of issuance and sale of the Refunding Bonds.

(c) Upon the written request of the City, but subject to the conditions and limitations herein set forth, the Escrow Agent will apply any moneys received from the maturing principal of or interest or other investment income on any Government Obligations held in the Escrow Fund, or the proceeds from any sale, transfer, redemption or other disposition of Government Obligations pursuant to Section 3(b) not required for the purposes of said Section, as follows: (i) to the extent such moneys will not be required at any time for the purpose of

making a payment required by Section 4 hereof, as certified by a nationally recognized firm of independent certified public accountants delivered to the Escrow Agent, after payment of any amounts then owed to the Escrow Agent, such moneys shall be paid over to the City upon the written request of the City as received by the Escrow Agent, free and clear of any trust, lien, pledge or assignment securing the Refunded Bonds or otherwise existing hereunder or under the Original Resolutions; (ii) to the extent such moneys will be required for such purpose at a later date, such moneys shall, to the extent practicable, be invested or reinvested in Government Obligations subject to parameters as to investment or reinvestment delivered by the City to the Escrow Agent (which shall remain in full force and effect unless and until the City provides subsequent parameters in accordance with this clause (ii)). Interest earned from such investments or reinvestments shall be paid over to the City upon compliance with the provisions of clause (i) of this Section 3(c), upon the written request of the City.

(d) All Government Obligations purchased pursuant to this Agreement shall be deposited in and held for the credit of the Escrow Fund. Except as provided in this Section 3, no moneys or Government Obligations deposited with the Escrow Agent pursuant to this Agreement nor principal of, or interest payments or other investment income on, any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Redemption Price with respect to the Refunded Bonds as provided in Section 4 hereof.

(e) The holders of the Refunded Bonds shall have a lien on the moneys and Government Obligations in the Escrow Fund until such moneys and Government Obligations are used and applied as provided in this Agreement.

(f) The Escrow Agent shall not be held liable for investment losses resulting from compliance with the provisions of this Agreement.

(g) The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Agent will furnish the City periodic cash transaction statements which shall include detail for all investment transactions made by the Escrow Agent hereunder.

SECTION 4. Payment of Refunded Bonds. From the maturing principal of the Government Obligations held in the Escrow Fund and the investment income and other earnings thereon and any uninvested money then held in the Escrow Fund, the Escrow Agent, shall pay (i) the Redemption Price of the Refunded Bonds, in accordance with the terms of the Original Resolutions on the Redemption Date; provided, however, that, to the extent that amounts remain on deposit in the Escrow Fund following full and complete payment of the principal, interest and Redemption Price of the Refunded Bonds in accordance with the terms of the respective Original Senior Resolutions and Original Subordinate Resolutions, such amounts shall be transferred to the City after payment of any amounts then owed to the Escrow Agent.

SECTION 5. Responsibilities of Escrow Agent. The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability

whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or any securities deposited therein, the purchase of the securities to be purchased pursuant hereto, the retention of such securities or the proceeds thereof, the sufficiency of the securities or any uninvested moneys held hereunder to accomplish the redemption of the Refunded Bonds, or any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any nonnegligent act, nonnegligent omission or nonnegligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the securities to be purchased pursuant hereto and any uninvested moneys to accomplish the redemption of the Refunded Bonds pursuant to the Original Resolutions or to the validity of this Agreement as to the City and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. In no event shall the Escrow Agent be liable for any special indirect or consequential damages. The Escrow Agent may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an Opinion of Bond Counsel) may be deemed to be conclusively established by a certificate of the City. Whenever the Escrow Agent shall deem it necessary or desirable that a matter specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an Opinion of Bond Counsel be proved or established prior to taking, suffering, or omitting any such action, such matter may be established only by a certificate signed by a nationally recognized firm of certified public accountants or such Opinion of Bond Counsel.

Any company in which the Escrow Agent 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 Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

The liability of the Escrow Agent to make the payments required by Section 4 of this Agreement shall be limited to the moneys and Government Obligations in the Escrow Fund.

No provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Agent may at any time resign by giving written notice to the City and of such resignation. The City shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective upon acceptance of appointment by a successor Escrow Agent. If the City does not appoint a successor, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Agent.

SECTION 6. Notices of Defeasance and Redemption.

(a) The City hereby gives irrevocable instructions to the Escrow Agent to give to the holders of the Refunded Bonds notice that the deposit required by Article VIII of the General Resolution for the 2012-A Bonds and Article VIII of the Subordinate General Resolution for the 2012-B Bonds and 2012-C Bonds, has been made with respect to such Refunded Bonds, such notice to be given by the Escrow Agent in substantially the form set forth in Exhibit B herein.

(b) The City hereby gives irrevocable instructions to the Escrow Agent, as agent for the City, to give notice of the redemption of the Refunded Bonds on the Redemption Date as required by Section 4.01 of the Twenty-Sixth Supplemental Resolution for the 2012-A Callable Bonds and Section 4.01 Thirteenth Supplemental Resolution for the 2012-B Callable Bonds and the 2012-C Callable Bonds, such notice to be given by the Escrow Agent in accordance with such provisions, and in substantially the form set forth in Exhibit C herein.

(c) The Escrow Agent will not be responsible for determining the accuracy of any information supplied to it by any person pursuant to the procedures outlined herein, including without limitation, the City, or for seeing to it that any notice of redemption required by the respective Sections 4.01 of the Twenty-Sixth Supplemental Resolution and Thirteenth Supplemental Resolution.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform the duties set forth herein and agrees that the irrevocable instructions to the Agent herein provided are in a form satisfactory to it.

SECTION 8. Amendments. The City and the Escrow Agent may, without the consent of, or notice to, the Owners of the Refunded Bonds, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of the Owners of the Refunded Bonds and as shall not be inconsistent with the terms and provisions of this Agreement, the Original Resolutions or the Authorizing Resolution, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the Owners of the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and (iii) to include under this Agreement additional funds, securities or properties. The Escrow Agent shall be entitled to rely conclusively upon an Opinion of Bond Counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the Owners of the Refunded Bonds or that any instrument executed hereunder

complies with the conditions and provisions of this Section. If this Agreement is ever severed, amended or revoked, S&P, Moody's, Fitch and Kroll will be given prior notification of such at the following addresses: S & P Global Ratings Services, 55 Water Street, New York, New York 10041, Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Fitch Ratings, One State Street Plaza, New York, New York 10004, and Kroll Bond Rating Agency, 845 Third Avenue, Fourth Floor, New York, New York 10022.

SECTION 9. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the date upon which (i) the Refunded Bonds have been fully and completely paid or redeemed as provided in Section 4 hereof, and (ii) any remaining amounts on deposit in the Escrow Fund have been transferred to the City, in accordance with this Agreement.

SECTION 10. Fees and Expenses. The City agrees to pay amounts equal to the fees and expenses of the Escrow Agent incurred in consequence of this Agreement and the acceptance thereof by the Escrow Agent in accordance with the schedule of fees attached as Exhibit E. The Escrow Agent 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 11. Indemnity. The City agrees to indemnify the Escrow Agent, its agents and its officers or employees for and hold the Escrow Agent, 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 Escrow Agent) which may be imposed on, incurred by, or asserted against the Escrow Agent at any time by reason of the performance of its duties as Escrow Agent hereunder in any transaction arising out of this Agreement or any of the transactions contemplated herein unless due to the Escrow Agent's or its officers' or employees' or agents' negligence or willful misconduct. The Escrow Agent's rights to indemnification hereunder shall survive its resignation or removal and the termination of the Agreement.

SECTION 12. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the City or the Escrow Agent 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 13. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument. 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 14. Governing Law. This Agreement shall be construed under the laws of the State of California.

SECTION 15. Assignment. This Agreement shall not be assigned by the Escrow Agent or any successor thereto without the prior written consent of the City.

SECTION 16. City Provisions. The Standard Provisions for City Contracts attached hereto as Exhibit D are hereby incorporated herein by reference as though fully set forth herein.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have caused this 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

Approved as to Form:

MICHAEL N. FEUER,
City Attorney

By: _____
Deputy City Attorney

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By: _____
Authorized Officer

EXHIBIT A
ESCROW SECURITIES

| <u>Type</u> | <u>CUSIP</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Total Purchase Cost</u> |
|--------------|--------------|--------------------------|-----------------------------|--------------------------|--------------------------------|
| Total | | | <u>\$</u> | | <u>\$</u> |

EXHIBIT B

NOTICE OF DEFEASANCE

CITY OF LOS ANGELES WASTEWATER SYSTEM REVENUE BONDS, REFUNDING SERIES 2012-A

TO: The holders of the above-captioned bonds, which have the CUSIP Nos.* described below (the “Bonds”)

U.S. Bank National Association acts as the escrow agent (the “Escrow Agent”) with respect to the defeasance of the above-referenced Bonds issued pursuant to the Wastewater System Revenue Bonds General Resolution, adopted by the Council of the City of Los Angeles (the “Council”) on November 10, 1987 (the “General Resolution”), as amended and supplemented, including as amended and supplemented by the Twenty-Sixth Supplemental Resolution, adopted by the Council on March 23, 2012 (the “Twenty-Sixth Supplemental Resolution,” and, together with the General Resolution, the “Resolutions”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolutions.

You are hereby notified that:

On _____, 2022 the following principal amounts of the following Bonds will be defeased by the City of Los Angeles pursuant to the Resolutions:

| <u>Issue Date</u> | <u>Maturity Date (June 1)</u> | <u>Interest Rate</u> | <u>Principal Amount Outstanding</u> | <u>CUSIP No.*</u> |
|-------------------|---------------------------------------|--------------------------|---------------------------------------------|-----------------------|
| 05/24/2012 | 2024 | 5.000% | \$49,650,000 | 544653AA6 |

The deposit required by Article VIII of the General Resolution has been made with the Escrow Agent with respect to said Bonds and that said Bonds are deemed to have been paid in accordance with Article VIII of the Subordinate General Resolution.

(1) As a result of such deposit, the Bonds are deemed to be no longer outstanding under the terms of the Resolutions pursuant to which such Bonds were issued.

(2) The Bonds will be redeemed on June 1, 2022 (the “Redemption Date”) at a redemption price of the principal amount thereof, plus accrued interest thereon to the Redemption Date, without premium.

Dated: _____, 2022

**By: U.S. Bank National Association
as the Escrow Agent**

NOTICE OF DEFEASANCE

CITY OF LOS ANGELES WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS, REFUNDING SERIES 2012-B

TO: The holders of the above-captioned bonds, which have the CUSIP Nos.* described below (the “Bonds”)

U.S. Bank National Association acts as the escrow agent (the “Escrow Agent”) with respect to the defeasance of the above-referenced Bonds issued pursuant to the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City of Los Angeles (the “Council”) on March 26, 1991 (the “Subordinate General Resolution”), as amended and supplemented, including as amended and supplemented by the Thirteenth Supplemental Resolution, adopted by the Council on March 23, 2012 (the “Thirteenth Supplemental Resolution,” and, together with the Subordinate General Resolution, the “Resolutions”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolutions.

You are hereby notified that:

On _____, 2022 the following principal amounts of the following Bonds will be defeased by the City of Los Angeles pursuant to the Resolutions:

| <u>Issue Date</u> | <u>Maturity Date (June 1)</u> | <u>Interest Rate</u> | <u>Principal Amount Outstanding</u> | <u>CUSIP No.*</u> |
|-------------------|---------------------------------------|--------------------------|---------------------------------------------|-----------------------|
| 05/30/2012 | 2024 | 4.000% | \$8,425,000 | 5446527N4 |
| 05/30/2012 | 2024 | 5.000 | 13,245,000 | 5446527X2 |
| 05/30/2012 | 2028 | 3.250 | 2,140,000 | 5446527Q7 |
| 05/30/2012 | 2028 | 5.000 | 21,810,000 | 5446527Z7 |
| 05/30/2012 | 2029 | 3.375 | 580,000 | 5446527R5 |
| 05/30/2012 | 2029 | 5.000 | 24,530,000 | 5446528A1 |
| 05/30/2012 | 2030 | 5.000 | 26,360,000 | 5446527S3 |
| 05/30/2012 | 2031 | 5.000 | 27,675,000 | 5446527T1 |
| 05/30/2012 | 2032 | 5.000 | 29,050,000 | 5446527U8 |

The deposit required by Article VIII of the Subordinate General Resolution has been made with the Escrow Agent with respect to said Bonds and that said Bonds are deemed to have been paid in accordance with Article VIII of the Subordinate General Resolution.

(1) As a result of such deposit, the Bonds are deemed to be no longer outstanding under the terms of the Resolutions pursuant to which such Bonds were issued.

(2) The Bonds will be redeemed on June 1, 2022 (the “Redemption Date”) at a redemption price of the principal amount thereof, plus accrued interest thereon to the Redemption Date, without premium.

Dated: _____, 2022

**By: U.S. Bank National Association
as the Escrow Agent**

NOTICE OF DEFEASANCE

CITY OF LOS ANGELES WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS, REFUNDING SERIES 2012-C

TO: The holders of the above-captioned bonds, which have the CUSIP Nos.* described below (the “Bonds”)

U.S. Bank National Association acts as the escrow agent (the “Escrow Agent”) with respect to the defeasance of the above-referenced Bonds issued pursuant to the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City of Los Angeles (the “Council”) on March 26, 1991 (the “Subordinate General Resolution”), as amended and supplemented, including as amended and supplemented by the Thirteenth Supplemental Resolution, adopted by the Council on March 23, 2012 (the “Thirteenth Supplemental Resolution,” and, together with the Subordinate General Resolution, the “Resolutions”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolutions.

You are hereby notified that:

On _____, 2022 the following principal amounts of the following Bonds will be defeased by the City of Los Angeles pursuant to the Resolutions:

| <u>Issue Date</u> | <u>Maturity Date (June 1)</u> | <u>Interest Rate</u> | <u>Principal Amount Outstanding</u> | <u>CUSIP No.*</u> |
|-------------------|---------------------------------------|--------------------------|---------------------------------------------|-----------------------|
| 05/24/2012 | 2023 | 4.000% | \$2,500,000 | 544653AM0 |
| 05/24/2012 | 2023 | 5.000 | 11,835,000 | 544653AN8 |
| 05/24/2012 | 2025 | 5.000 | 34,405,000 | 544653AP3 |
| 05/24/2012 | 2026 | 4.000 | 400,000 | 544653AQ1 |
| 05/24/2012 | 2026 | 5.000 | 20,045,000 | 544653AR9 |
| 05/24/2012 | 2027 | 5.000 | 4,900,000 | 544653AS7 |

The deposit required by Article VIII of the Subordinate General Resolution has been made with the Escrow Agent with respect to said Bonds and that said Bonds are deemed to have been paid in accordance with Article VIII of the Subordinate General Resolution.

(1) As a result of such deposit, the Bonds are deemed to be no longer outstanding under the terms of the Resolutions pursuant to which such Bonds were issued.

(2) The Bonds will be redeemed on June 1, 2022 (the “Redemption Date”) at a redemption price of the principal amount thereof, plus accrued interest thereon to the Redemption Date, without premium.

Dated: _____, 2022

**By: U.S. Bank National Association
as the Escrow Agent**

EXHIBIT C

NOTICE OF REDEMPTION

CITY OF LOS ANGELES WASTEWATER SYSTEM REVENUE BONDS, REFUNDING SERIES 2012-A

NOTICE IS HEREBY GIVEN by U.S. Bank National Association, as Escrow Agent for the City of Los Angeles, California (the “City”), that the City intends to exercise its option to redeem the maturities identified below of its outstanding City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2012-A (the “Series 2012A Bonds” and the maturities thereof being redeemed, the “Refunded Bonds”) on June 1, 2022 (the “Redemption Date”) prior to their stated maturity, at a redemption price equal to 100% of the principal amount of the Refunded Bonds plus accrued interest thereon to the Redemption Date, without premium (the “Redemption Price”). The Series 2012A Bonds were originally issued on May 24, 2012.

| Issue Date | Maturity Date (June 1) | Interest Rate | Principal Amount Outstanding | CUSIP No.* | Redemption Price |
|-------------------|---------------------------------------|--------------------------|---------------------------------------------|-------------------|-----------------------------|
| 05/24/2012 | 2024 | 5.000% | \$49,650,000 | 544653AA6 | 100% |

To receive payment of the Redemption Price, the Refunded Bonds described above must be presented to:

BY MAIL OR BY HAND
[U.S. Bank National Association
Global Corporate Trust Services
111 Fillmore Avenue E
St. Paul, MN 55107]

On the Redemption Date, there shall become due and payable upon the Refunded Bonds the Redemption Price, and from and after the Redemption Date interest on the Refunded Bonds shall cease to accrue and be payable.

Bondholders presenting their bonds in person for same day payment must surrender their bond(s) by 1:00 P.M. CST on the Redemption Date and a check will be available for pick up after 2:00 P.M. CST. Checks not picked up by 4:30 P.M. CST will be mailed out to the bondholder via first class mail. If payment of the Redemption Price is to be made to the registered owner of the Bond, you are not required to endorse the Bond to collect the Redemption Price.

For a list of redemption requirements please visit our website at www.usbank.com/corporatetrust and click on the “Bondholder Information” link for Redemption instructions. You may also contact our Bondholder Communications team at 1-800-934-6802 Monday through Friday from 8 AM to 6 PM CST.

IMPORTANT NOTICE

Federal law requires the Agent to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit www.irs.gov for additional information on the tax forms and instructions.

Dated: _____, 2022

**By: U.S. Bank National Association
as the Escrow Agent**

NOTICE OF REDEMPTION

CITY OF LOS ANGELES WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS, REFUNDING SERIES 2012-B

NOTICE IS HEREBY GIVEN by U.S. Bank National Association, as Escrow Agent for the City of Los Angeles, California (the “City”), that the City intends to exercise its option to redeem the maturities identified below of its outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2012-B (the “Series 2012B Bonds” and the maturities thereof being redeemed, the “Refunded Bonds”) on June 1, 2022 (the “Redemption Date”) prior to their stated maturities, at a redemption price equal to 100% of the principal amount of the Refunded Bonds plus accrued interest thereon to the Redemption Date, without premium (the “Redemption Price”). The Series 2012B Bonds were originally issued on May 30, 2012.

| Issue Date | Maturity Date (June 1) | Interest Rate | Principal Amount Outstanding | CUSIP No.* | Redemption Price |
|-------------------|-----------------------------------|----------------------|-----------------------------------------|-------------------|-------------------------|
| 05/30/2012 | 2024 | 4.000% | \$8,425,000 | 5446527N4 | 100% |
| 05/30/2012 | 2024 | 5.000 | 13,245,000 | 5446527X2 | 100 |
| 05/30/2012 | 2028 | 3.250 | 2,140,000 | 5446527Q7 | 100 |
| 05/30/2012 | 2028 | 5.000 | 21,810,000 | 5446527Z7 | 100 |
| 05/30/2012 | 2029 | 3.375 | 580,000 | 5446527R5 | 100 |
| 05/30/2012 | 2029 | 5.000 | 24,530,000 | 5446528A1 | 100 |
| 05/30/2012 | 2030 | 5.000 | 26,360,000 | 5446527S3 | 100 |
| 05/30/2012 | 2031 | 5.000 | 27,675,000 | 5446527T1 | 100 |
| 05/30/2012 | 2032 | 5.000 | 29,050,000 | 5446527U8 | 100 |

To receive payment of the Redemption Price, the Refunded Bonds described above must be presented to:

BY MAIL OR BY HAND

[U.S. Bank National Association
Global Corporate Trust Services
111 Fillmore Avenue E
St. Paul, MN 55107]

On the Redemption Date, there shall become due and payable upon the Refunded Bonds the Redemption Price, and from and after the Redemption Date interest on the Refunded Bonds shall cease to accrue and be payable.

Bondholders presenting their bonds in person for same day payment must surrender their bond(s) by 1:00 P.M. CST on the Redemption Date and a check will be available for pick up after 2:00 P.M. CST. Checks not picked up by 4:30 P.M. CST will be mailed out to the bondholder via first class mail. If payment of the Redemption Price is to

be made to the registered owner of the Bond, you are not required to endorse the Bond to collect the Redemption Price.

For a list of redemption requirements please visit our website at www.usbank.com/corporatetrust and click on the “Bondholder Information” link for Redemption instructions. You may also contact our Bondholder Communications team at 1-800-934-6802 Monday through Friday from 8 AM to 6 PM CST.

IMPORTANT NOTICE

Federal law requires the Agent to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit www.irs.gov for additional information on the tax forms and instructions.

Dated: _____, 2022

**By: U.S. Bank National Association
as the Escrow Agent**

NOTICE OF REDEMPTION

CITY OF LOS ANGELES WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS, REFUNDING SERIES 2012-C

NOTICE IS HEREBY GIVEN by U.S. Bank National Association, as Escrow Agent for the City of Los Angeles, California (the “City”), that the City intends to exercise its option to redeem the maturities identified below of its outstanding City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2012-C (the “Series 2012C Bonds” and the maturities thereof being redeemed, the “Refunded Bonds”) on June 1, 2022 (the “Redemption Date”) prior to their stated maturities, at a redemption price equal to 100% of the principal amount of the Refunded Bonds plus accrued interest thereon to the Redemption Date, without premium (the “Redemption Price”). The Series 2012C Bonds were originally issued on May 24, 2012.

| <u>Issue Date</u> | <u>Maturity Date (June 1)</u> | <u>Interest Rate</u> | <u>Principal Amount Outstanding</u> | <u>CUSIP No.*</u> | <u>Redemption Price</u> |
|-------------------|---------------------------------------|--------------------------|---------------------------------------------|-------------------|-----------------------------|
| 05/24/2012 | 2023 | 4.000% | \$2,500,000 | 544653AM0 | 100% |
| 05/24/2012 | 2023 | 5.000 | 11,835,000 | 544653AN8 | 100 |
| 05/24/2012 | 2025 | 5.000 | 34,405,000 | 544653AP3 | 100 |
| 05/24/2012 | 2026 | 4.000 | 400,000 | 544653AQ1 | 100 |
| 05/24/2012 | 2026 | 5.000 | 20,045,000 | 544653AR9 | 100 |
| 05/24/2012 | 2027 | 5.000 | 4,900,000 | 544653AS7 | 100 |

To receive payment of the Redemption Price, the Refunded Bonds described above must be presented to:

BY MAIL OR BY HAND
[U.S. Bank National Association
Global Corporate Trust Services
111 Fillmore Avenue E
St. Paul, MN 55107]

On the Redemption Date, there shall become due and payable upon the Refunded Bonds the Redemption Price, and from and after the Redemption Date interest on the Refunded Bonds shall cease to accrue and be payable.

Bondholders presenting their bonds in person for same day payment must surrender their bond(s) by 1:00 P.M. CST on the Redemption Date and a check will be available for pick up after 2:00 P.M. CST. Checks not picked up by 4:30 P.M. CST will be mailed out to the bondholder via first class mail. If payment of the Redemption Price is to be made to the registered owner of the Bond, you are not required to endorse the Bond to collect the Redemption Price.

For a list of redemption requirements please visit our website at www.usbank.com/corporatetrust and click on the “Bondholder Information” link for Redemption instructions. You may also contact our Bondholder Communications team at 1-800-934-6802 Monday through Friday from 8 AM to 6 PM CST.

IMPORTANT NOTICE

Federal law requires the Agent to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit www.irs.gov for additional information on the tax forms and instructions.

Dated: _____, 2022

**By: U.S. Bank National Association
as the Escrow Agent**

EXHIBIT D

STANDARD PROVISIONS FOR CITY CONTRACTS

The Escrow Agent 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 Escrow Agent is an independent contractor and not an agent or employee of the City. The Escrow Agent 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 Escrow Agent shall maintain all records, including records of financial transactions, pertaining to the performance of this Escrow Agreement, 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 the City, (2) the expiration of this Escrow Agreement or (3) termination of this Escrow Agreement. The records will be subject to examination and audit by authorized City personnel or the City's representatives at any time. The Escrow Agent shall provide any reports requested by the City regarding performance of this Escrow Agreement. Any subcontract entered into by the Escrow Agent for work to be performed under this Escrow Agreement must include an identical provision.

In lieu of retaining the records for the term as prescribed in this provision, the Escrow Agent 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 Escrow Agreement.

Section 3. Taxpayer Identification Number ("TIN") and Withholding Taxes. The Escrow Agent 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 Escrow Agreement. Payments made under the Escrow Agreement 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 Escrow Agent. The Escrow Agent warrants that the work performed under the Escrow Agreement shall be completed in a manner consistent with professional standards practiced among those firms within the Escrow Agent'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 Escrow Agreement 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 Escrow Agent 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 Escrow Agreement, the Escrow Agent 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 Escrow Agreement by reference and will be known as the "Equal Employment Practices" provisions of this Escrow Agreement.
- C. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Escrow Agreement by reference and will be known as the "Affirmative Action Program" provisions of this Escrow Agreement.

Any subcontract entered into by the Escrow Agent for work to be performed under this Escrow Agreement must include an identical provision.

Section 6. Child Support Assignment Orders. The Escrow Agent 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 Escrow Agent (and any subcontractor of the Escrow Agent providing services to the City under this Escrow Agreement) shall (1) fully comply with all State and Federal employment reporting requirements for the Escrow Agent's or the subcontractor's employees; (2) certify that the principal owner(s) of the Escrow Agent 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 Escrow Agreement.

Failure of the Escrow Agent 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 Escrow Agent 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 Escrow Agent under this Escrow Agreement. Failure of the Escrow Agent or applicable subcontractor or principal owner to cure the default within 90 days of the notice of default will subject this Escrow Agreement to termination for breach. Any subcontract entered into by the Escrow Agent for work to be performed under this Escrow Agreement must include an identical provision.

Section 7. Access and Accommodations.

The Escrow Agent represents and certifies that:

- A. The Escrow Agent 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 Escrow Agent 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 Escrow Agent 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 Escrow Agreement 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 Escrow Agent understands that the City is relying upon these certifications and representations as a condition to funding this Escrow Agreement. Any subcontract entered into by the Escrow Agent for work to be performed under this Escrow Agreement must include an identical provision.

Section 8. Contractor Responsibility Ordinance. The Escrow Agent 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 Escrow Agreement is valued at \$100,000 or more and requires approval by an elected City office, the Escrow Agent, the Escrow Agent's principals, and the Escrow Agent's subcontractors expected to receive at least \$100,000 for performance under this Escrow Agreement, 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 Escrow Agreement 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 Escrow Agreement is signed. Additionally, a contractor (i.e., the Escrow Agent) 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 Escrow Agent) 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 Escrow Agreement:

"Notice Regarding Restrictions on Campaign Contributions and Fundraising in City Elections.

You are a subcontractor in connection with the Escrow Agreement, dated as of [____], 2022 (the “Escrow Agreement”), by and between the City of Los Angeles (the “City”) and U.S. Bank National Association, as the Escrow Agent. 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 Escrow Agreement is signed. You are required to provide the names and contact information of your principals to the Escrow Agent 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 Escrow Agreement 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 Escrow Agent 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 Escrow Agent for work to be performed under this Escrow Agreement must include an identical provision.

Section 11. COVID-19. Employees of the Escrow Agent and/or persons working on its behalf, including, but not limited to, subcontractors (collectively, “Contractor Personnel”), while performing services under this Escrow Agreement and prior to interacting in person with City employees, contractors, volunteers or members of the public (collectively, “In-Person Services”), must be fully vaccinated against the novel coronavirus 2019 (“COVID-19”). “Fully vaccinated” means that 14 or more days have passed since Contractor Personnel have received the final dose of a two-dose COVID-19 vaccine series (Moderna or Pfizer-BioNTech) or a single dose of a one-dose COVID-19 vaccine (Johnson & Johnson/Janssen) and all booster doses recommended by the Centers for Disease Control and Prevention. Prior to assigning Contractor Personnel to perform In-Person Services, Escrow Agent shall obtain proof that such Contractor Personnel have been fully vaccinated. Escrow Agent shall retain such proof for the document retention period set forth in this Escrow Agreement. Escrow Agent shall grant medical or religious exemptions (“Exemptions”) to Contractor Personnel as required by law. If Escrow Agent wishes to assign Contractor Personnel with Exemptions to perform In-Person Services, Escrow Agent shall require such Contractor Personnel to undergo weekly COVID-19 testing, with the full cost of testing to be borne by Escrow Agent. If Contractor Personnel test positive, they shall not be assigned to perform In-Person Services or, to the extent they have already been performing In-Person Services, shall be immediately removed from those assignments. Furthermore, Escrow Agent shall immediately notify City if Contractor Personnel performing In-Person Services (1) have tested positive for or have been diagnosed with COVID-19, (2) have been informed by a medical professional that they are likely to have COVID-19, or (3) meet the criteria for isolation under applicable government orders.

EXHIBIT E

Schedule of Fees for Services as Escrow Agent

Escrow Agent Fee

\$[_____]

Includes performance of the routine duties as Escrow Agent of the Escrow Agreement. This is a one-time fee payable at closing.

ATTACHMENT E

THE COUNCIL OF THE CITY OF LOS ANGELES

THIRTIETH SUPPLEMENTAL RESOLUTION

Adopted by the Council of the City on
February __, 2022

SUPPLEMENTING THE
WASTEWATER SYSTEM REVENUE BONDS GENERAL RESOLUTION

Which Was
Adopted by the Council of the City
November 10, 1987

THIRTIETH SUPPLEMENTAL RESOLUTION

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(This table of contents is not part of the Thirtieth Supplemental Resolution and has been added only for convenience of reference. The captions herein are of no legal effect and do not vary the meaning or legal effect of any part of this Thirtieth Supplemental Resolution,)

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THIRTIETH SUPPLEMENTAL RESOLUTION
Providing for

Amendments relating to Section 1.01, Section 5.07 and Section 6.09 of the
Wastewater System Revenue Bonds General Resolution

WHEREAS, the Council (the “Council”) of the City of Los Angeles (the “City”), by resolution adopted February 24, 1987, submitted to the qualified voters of the City the proposition of issuing bonds pursuant to the procedures set forth in the Revenue Bond Law of 1941, Section 54300 et seq. of the California Government Code for the purpose of financing a portion of a major wastewater system improvement program; and

WHEREAS, the Council on November 10, 1987 adopted a resolution designated as the “WASTEWATER SYSTEM REVENUE BONDS GENERAL RESOLUTION,” (as amended and supplemented from time to time, the “General Resolution”), which sets forth the basic terms under which the City may issue wastewater system revenue bonds and which provides for a pledge of Revenues (as defined in the General Resolution) to secure all Bonds (as defined in the General Resolution and sometimes referred to herein as the “Senior Lien Bonds”) issued thereunder; and

WHEREAS, the Council on March 26, 1991 adopted a resolution designated as the “WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS GENERAL RESOLUTION” (as amended and supplemented from time to time, the “Subordinate General Resolution”), which sets forth the basic terms under which the City may issue wastewater system subordinate revenue bonds and which provides for a pledge of Revenues to secure all Subordinate Bonds (as defined in the Subordinate General Resolution) issued thereunder on a basis subordinate to the Senior Lien Bonds issued under the General Resolution; and

WHEREAS, pursuant to Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”), the Council, exercising the powers reserved to the City under the Constitution of the State of California, and its powers under Section 361 of the City Charter, may determine that revenue bonds, notes and other indebtedness or obligations (as used for purposes of this preamble, “Bonds”) be issued as provided in said Article 6.7 for the purpose of financing project costs, refunding outstanding Bonds, establishing reserves and paying costs of issuance in connection with such Bonds, payable from the SCM Fund (as defined in the General Resolution), and the Procedural Ordinance shall provide a complete alternative method of issuing such Bonds without a vote of qualified voters in the City; and

WHEREAS, Section 11.02 of the General Resolution permits the City by supplemental resolution to amend and supplement the General Resolution and any Supplemental Resolution thereto, provided that certain conditions set forth in Section 11.02 of the General Resolution have been satisfied, and the City has been advised by Bond Counsel that the proposed terms of this Thirtieth Supplemental Resolution do not adversely affect the interests of the Bondholders, including the amendments set forth in Article I hereof; and

WHEREAS, the City has received an opinion of Bond Counsel in accordance with Section 11.02 of the General Resolution; and

WHEREAS, this Thirtieth Supplemental Resolution is adopted in accordance with the provisions of the General Resolution;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City, as follows:

ARTICLE I

AMENDMENTS TO THE GENERAL RESOLUTION

Section 1.01. Definitions.

Section 1.01 of the General Resolution is hereby amended to supplement and modify the definitions of the terms contained in the General Resolution:

“Balloon Indebtedness” shall mean, with respect to any Series of Bonds designated as “Balloon Indebtedness” by the City in a certificate at the time of issuance of such Series and with respect to which twenty-five percent (25%) or more of the principal matures on the same date or within a 12-month period, that portion of such Series which matures on such date or within such 12-month period; provided, however, that to constitute Balloon Indebtedness the amount of indebtedness maturing on a single date or over a 12-month period must equal or exceed 150% of the amount of such Series which matures during any preceding 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

“Emergency Fund Requirement” shall mean the sum of \$5,000,000.

Section 1.02. Emergency Fund. Section 5.07 of the General Resolution shall be amended to be read in full as follows:

At the time of issuance of the Initial Bonds, the City shall establish the Emergency Fund and deposit \$5,000,000 into such fund, and thereafter, maintain the Emergency Fund Requirement in such fund. Amounts in the Emergency Fund shall be available and shall be used by the City, if other funds are not readily available and sufficient therefor, for the purpose of paying expenses resulting from extraordinary and unexpected events requiring immediate attention in order to repair or replace portions of the System or prevent further damage thereto or to pay liability claims related to the System. Amounts shall be withdrawn from the Emergency Fund only if there is first delivered to the Treasurer a certificate signed by an Authorized City Representative stating that an extraordinary and unexpected event as described in this paragraph has occurred or that an amount is due as a result of a liability claim, that the expense resulting from such event or the claim which is to be paid is in excess of \$500,000, that other funds are not readily available to pay such expense or claim and that the expenditure of such funds has been duly authorized in accordance with City procedures. The Treasurer shall annually, on or about January 15 of each year, commencing January 15, 1989 and at such other times as the City shall deem appropriate, value the Emergency Fund on the basis of the market value thereof. Upon each such valuation, the Treasurer shall prepare a written certificate setting forth the Emergency Fund Requirement as of such valuation date and the value of the Emergency Fund and deliver a copy thereof to the City Administrative

Officer. If, upon any valuation, the value of the Emergency Fund exceeds the Emergency Fund Requirement, the excess amount may be withdrawn and deposited into the SCM Fund; if the value is less than the Emergency Fund Requirement, additional deposits shall be made to the Emergency Fund as provided in Section 5.03(3). If the City withdraws funds from the Emergency Fund and such withdrawal reduces the balance in such fund below the Emergency Fund Requirement, then monthly deposits shall be made into such fund as provided in Section 5.03(3).

Section 1.03. Annual Financial Statements. Section 6.09(b) of the General Resolution shall be amended to be read in full as follows:

(b) The City will prepare annually within 270 days after the close of each Fiscal Year so long as any of the Bonds are Outstanding financial statements of the SCM Fund, the Debt Service Fund, the Reserve Fund, the Construction Funds and the Emergency Fund for the preceding Fiscal Year, prepared in accordance with generally accepted accounting principles applied on a consistent basis from year to year which financial statements shall be examined by and include the certificate or opinion of an independent certified public accountant. The City will make the financial statements available for examination by any Bondholder or Beneficial Owner and will furnish a copy of the financial statements to any Bondholder or Beneficial Owner upon request. The City may charge a fee to cover the cost of copying.

ARTICLE II

MISCELLANEOUS

Section 2.01. Incorporation of Definitions in the General Resolution. Except as otherwise provided in Section 1.01 hereof, all words, terms and phrases defined in the General Resolution shall have the same meanings in this Thirtieth Supplemental Resolution as in the General Resolution. Except as otherwise provided in any Supplemental Resolution hereafter adopted, all terms which are defined in this Thirtieth Supplemental Resolution, unless the context otherwise requires, shall have the same meanings in such Supplemental Resolution as in this Thirtieth Supplemental Resolution.

Section 2.02. Article and Section References. Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this Thirtieth Supplemental Resolution.

Section 2.03. Supplemental Resolution a Contract. This Thirtieth Supplemental Resolution, together with the General Resolution, is adopted by the City for the benefit of the Bondholders and together they constitute a contract with the Bondholders.

Section 2.04. Severability. If any provision of this Thirtieth Supplemental Resolution shall be determined to be unenforceable, that shall not affect any other provision of this Thirtieth Supplemental Resolution. Nothing herein shall preclude one or more of the provisions of this Thirtieth Supplemental Resolution, with the approval required by the General Resolution, from becoming effective prior to the effective date of any other provision. The City shall promptly inform the Paying Agent and Bondholders in the event that consent has been secured for one or more of the provisions of this Thirtieth Supplemental Resolution.

Section 2.05. Governing Law. This Thirtieth Supplemental Resolution shall be governed by and construed in accordance with the laws of the State.

Section 2.06. Captions. The captions in this Thirtieth Supplemental Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Thirtieth Supplemental Resolution.

Section 2.07. Effective Date. This Thirtieth Supplemental Resolution shall take effect from and upon its adoption.

[Remainder of Page Intentionally Left Blank]

Approved as to Form

MICHAEL N. FEUER, City Attorney

By:  _____
Deputy City Attorney