

**THIS VIRTUAL MEETING IS HELD PURSUANT TO
EXECUTIVE ORDER N-29-20 ISSUED BY GOVERNOR
NEWSOM ON MARCH 17, 2020**

**AGENDA
REGULAR MEETING
REDONDO BEACH COMMUNITY FINANCING AUTHORITY
TUESDAY, JUNE 15, 2021 - 6:00 P.M.
REDONDO BEACH CITY COUNCIL CHAMBERS
415 DIAMOND STREET**

The Community Financing Authority, a joint powers authority was formed on January 31, 2012, for the purpose of assisting in providing financing, for purposes which are authorized by law and which could finance, lease, own, operate and maintain public capital improvements for any of its members, or to be owned by any of its members.

CALL MEETING TO ORDER

ROLL CALL

A. APPROVAL OF ORDER OF AGENDA

B. ADDITIONAL ITEMS FOR IMMEDIATE CONSIDERATION

B1. BLUE FOLDER ITEMS

Blue folder items are additional back up material to administrative reports and/or public comments received after the printing and distribution of the agenda packet for receive and file.

C. CONSENT CALENDAR

Business items, except those formally noticed for public hearing, or those pulled for discussion are assigned to the Consent Calendar. The Authority Members may request that any Consent Calendar item(s) be removed, discussed, and acted upon separately. Items removed from the Consent Calendar will be taken up under the "Excluded Consent Calendar" section below. Those items remaining on the Consent Calendar will be approved in one motion following Oral Communications.

C1. APPROVAL OF AFFIDAVIT OF POSTING for the Regular Community Financing Authority meeting of June 15, 2021.

C2. APPROVAL OF MOTION TO READ BY TITLE ONLY and waive further reading of all Ordinances and Resolutions listed on the agenda.

C3. APPROVAL OF MINUTES:
a. Regular Meeting of June 1, 2021.

D. EXCLUDED CONSENT CALENDAR ITEMS

E. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

This section is intended to provide members of the public with the opportunity to comment on any subject that does not appear on this agenda for action. This section is limited to 30 minutes. Each speaker will be afforded three minutes to address the Community Financing Authority. Each speaker will be permitted to speak only once. Written requests, if any, will be considered first under this section.

F. EX PARTE COMMUNICATIONS

G. PUBLIC HEARINGS

H. OLD BUSINESS

I. NEW BUSINESS

II. APPROVAL OF THE ISSUANCE OF THE REDONDO BEACH COMMUNITY FINANCING AUTHORITY TAXABLE LEASE REVENUE REFUNDING BONDS, SERIES 2021A IN AN AMOUNT NOT TO EXCEED \$240 MILLION

J. MEMBERS ITEMS AND REFERRALS TO STAFF

K. ADJOURNMENT

The next meeting of the Redondo Beach Community Financing Authority will be a regular meeting to be held at 6:00 p.m. on Tuesday, July 6, 2021, in the Redondo Beach City Hall Council Chambers, 415 Diamond Street, Redondo Beach, California.

It is the intention of the City of Redondo Beach to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or a participant of this meeting you will need special assistance beyond what is normally provided, the City will attempt to accommodate you in every reasonable manner. Please contact the City Clerk's Office at (310) 318-0656 at least forty-eight (48) hours prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible. Please advise us at that time if you will need accommodations to attend or participate in meetings on a regular basis. An Agenda Packet is available 24 hours a day at www.redondo.org under the City Clerk and during City Hall hours. Agenda Packets are also available for review in the Office of the City Clerk.

Any writings or documents provided to a majority of the members of the Authority regarding any item on this agenda will be made available for public inspection at the City Clerk's Counter at City Hall located at 415 Diamond Street during normal business hours



Eleanor Manzano
City Clerk

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STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES)
CITY OF REDONDO BEACH) SS

AFFIDAVIT OF POSTING

In compliance with the Brown Act, the following materials have been posted at the locations indicated below.

Legislative Body	Community Financing Authority
Posting Type	Regular Meeting Agenda
Posting Locations	415 Diamond Street, Redondo Beach, CA 90277 ✓ City Hall Kiosk
Meeting Date & Time	June 15, 2021 6:00 p.m. Open Session

As City Clerk of the City of Redondo Beach, I declare, under penalty of perjury, the document noted above was posted at the date displayed below.

Eleanor Manzano, City Clerk
Redondo Beach Community Financing Authority

Date: June 11, 2021

MOTION TO READ BY TITLE ONLY

and waive further reading of all
Ordinances and Resolutions on the Agenda.

Recommendation - Approve

CALL TO ORDER

Via Teleconference, a Regular Meeting of the Community Financing Authority was called to order by Chair Brand at 6:15 p.m. in the City Hall Council Chamber, 415 Diamond Street.

ROLL CALL

Members Present: Nehrenheim, Loewenstein, Horvath, Obagi, Emdee
Members Absent: None
Officials Present: Eleanor Manzano, City Clerk
Michael Webb, City Attorney
Joe Hoefgen, City Manager
Vickie Kroneberger, Chief Deputy City Clerk

A. APPROVAL OF ORDER OF AGENDA

Motion by Member Nehrenheim, seconded by Member Emdee, to approve the Order of Agenda as presented. Motion carried unanimously, with the following roll call vote:

AYES: Nehrenheim, Loewenstein, Horvath, Obagi, Emdee
NOES: None
ABSENT: None

B. ADDITIONAL ITEMS FOR IMMEDIATE CONSIDERATION – NONE

B1. BLUE FOLDER ITEMS – NONE

C. CONSENT CALENDAR

C1. APPROVE AFFIDAVIT OF POSTING for the Regular Community Financing Authority meeting of June 1, 2021.

C2. APPROVE MOTION TO READ BY TITLE ONLY and waive further reading of all Ordinances and Resolutions listed on the agenda.

C3. APPROVE THE FOLLOWING MINUTES:

a. Regular Meeting of May 4, 2021.

C4. APPROVE CHECK NUMBER 000477 IN THE TOTAL AMOUNT OF \$811.33.

Chair Brand called for public comment via eComment and Zoom. There being no comments, Chair Brand closed the public comment period.

Motion by Member Horvath, seconded by Member Nehrenheim, to approve Items C1 through C4. Motion carried unanimously, with the following roll call vote:

AYES: Nehrenheim, Loewenstein, Horvath, Obagi, Emdee
NOES: None
ABSENT: None

D. EXCLUDED CONSENT CALENDAR ITEMS - NONE

E. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

Chair Brand called for public comment via eComment and Zoom. There being no comments, Chair Brand closed the public comment period.

F. EX PARTE COMMUNICATIONS – NONE

G. PUBLIC HEARINGS – NONE

H. OLD BUSINESS – NONE

I. NEW BUSINESS – NONE

I.1. APPROVE RESOLUTION NO. CFA-2106-01 A RESOLUTION OF THE COMMUNITY FINANCING AUTHORITY OF REDONDO BEACH, CALIFORNIA ESTABLISHING A REGULAR MEETING SCHEDULE AND PROVIDING FOR MATTERS RELATED THERETO

Motion by Member Emdee, seconded by Member Horvath, to approve by title only Resolution No. CFA-2106-01. Motion carried unanimously, with the following roll call vote:

AYES: Nehrenheim, Loewenstein, Horvath, Obagi, Emdee
NOES: None
ABSENT: None

Chair Brand called for public comment via eComment and Zoom. There being no comments, Chair Brand closed the public comment period.

City Clerk Eleanor Manzano read by title only Resolution No. CFA-2106-01.

J. MEMBERS ITEMS AND REFERRALS TO STAFF – NONE

K. ADJOURNMENT: 6:20 P.M.

Motion by Member Obagi, seconded by Member Horvath, to adjourn at 6:20 p.m. Motion carried unanimously, with the following roll call vote:

AYES: Nehrenheim, Loewenstein, Horvath, Obagi, Emdee
NOES: None
ABSENT: None

The next meeting of the Redondo Beach Community Financing Authority will be a regular meeting to be held at 6:00 p.m. on Tuesday, June 15, 2021, in the Redondo Beach City Hall Council Chambers, 415 Diamond Street, Redondo Beach, California.

Respectfully submitted,

Eleanor Manzano, City Clerk



Administrative Report

Council Action Date: June 15, 2021

To: CHAIRMAN AND MEMBERS OF THE COMMUNITY FINANCING AUTHORITY

From: MARNI RUHLAND, FINANCE DIRECTOR

Subject: APPROVAL OF THE ISSUANCE OF THE REDONDO BEACH COMMUNITY FINANCING AUTHORITY TAXABLE LEASE REVENUE REFUNDING BONDS, SERIES 2021A IN AN AMOUNT NOT TO EXCEED \$240 MILLION

RECOMMENDATION

1. Adopt by title only – RESOLUTION NO. CFA-2106-02 A RESOLUTION OF THE REDONDO BEACH COMMUNITY FINANCING AUTHORITY APPROVING THE ISSUANCE OF LEASE REVENUE REFUNDING BONDS SERIES 2021A (FEDERALLY TAXABLE); APPROVING A SITE AND FACILITY LEASE, A LEASE AGREEMENT, AN ASSIGNMENT AGREEMENT, AN INDENTURE, A PRELIMINARY OFFICIAL STATEMENT, A FINAL OFFICIAL STATEMENT, AND A BOND PURCHASE AGREEMENT; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH
2. Authorize the Mayor to execute all necessary documents in their final form following completion of the bonding process and recommendation of the City Manager.

EXECUTIVE SUMMARY

In February 2021, the City Council directed staff to work with the City's Bond Financing Team to structure a bond financing to refinance the City's Unfunded Accrued Liability ("UAL") with the California Public Employees' Retirement System ("CalPERS"). As reported to the Council, the City is expected to achieve substantial budgetary savings by refinancing its pension obligation. This item presents the Lease Revenue Bond financing documents needed for City Council to officially authorize the refinancing.

BACKGROUND

The City's pension plan is managed under contract by CalPERS. The City's annual pension payments to CalPERS consist of two components which include the Normal Cost and the UAL. The normal cost is the amount CalPERS charges the City, as a percentage of its payroll, that is estimated to annually fund a share of all future pension obligations. The UAL repayment portion is the amount that is charged to the City to repay the City's estimated long-term UAL that is owed to CalPERS for past changes in benefits, underperforming CalPERS investment returns, and changes in the discount rate.

The UAL represents the difference between the amount necessary to pay actuarially determined future benefits already earned by current and former employees and the market value of the assets currently on deposit with CalPERS. The City's UAL constitutes a debt that must be repaid to CalPERS, and it is listed as a liability on the City's balance sheet in accordance with the Governmental Accounting Standards Board (GASB) requirements. CalPERS currently charges the City 7% interest on this debt and has a repayment structure that will result in a large increase in annual pension costs over the next 10 years. As in many other cities in California, the growing obligations related to employee retirements represent a significant financial burden to the City. According to the most recently available CalPERS actuarial report (representing CalPERS performance and benefit cost estimates through FY 2018-19), the City's annual UAL repayment will increase from approximately \$13.7 million in FY 2020-21 to a high of \$21.5 million in FY 2030-31, an increase of 57%.

CalPERS calculates the actuarial value of benefits owed to plan members and the market value of plan assets annually, but it takes them one year to publish results. In other words, actuarial value of benefits owed to members and the market value of assets available as of June 30, 2019 were reported to the City in July of 2020, and they projected the UAL for June 30, 2021. The projected UAL balance at June 30, 2021 is the amount used to create the amortization schedule for Fiscal Year 2021-22 and beyond.

This means that the CalPERS results for the fiscal year ended June 30, 2020 will be reported to the City in approximately August of this year. Since CalPERS' investment returns for that year did not meet its 7% target, there will be another UAL base created. It is estimated that this new UAL will be somewhere in the range of \$10-\$15 million for the investment portfolio alone. Demographic and other changes that are currently being calculated by CalPERS could further increase this amount.

Current taxable municipal bond rates are substantially lower than the 7% CalPERS is charging the City. By issuing its own obligations to finance the UAL (instead of continuing to make installment payments to CalPERS on its terms), the City can realize substantial budgetary savings and better manage future pension costs. Obligations that are issued to finance a UAL must be issued at taxable interest rates.

In February 2021, the City Council directed staff to assemble a financing team to evaluate a potential issuance of bonds to refinance the City's UAL with CalPERS. At last week's Council Meeting, the financing team presented alternative approaches to refinancing the UAL which included the choice of Pension Obligation Bonds (POB) or Lease Revenue Bonds (LRB), different repayment structures and different plan funding options. At this meeting, the City Council directed staff to structure an LRB financing that would bring plan funding levels to 100% and to structure repayments in a fashion that would be level up-front and decline in a manner that was similar to that of the current CalPERS UAL amortization payment schedule.

Summary of Financing

The proposed financing is in the form of LRBs to be issued by the Redondo Beach Community Financing Authority (CFA). The City and CFA will enter into a Site and Facilities Lease to transfer certain leased properties of the City to the CFA, and the City will lease the same properties back from the CFA via a Lease Agreement. The City will agree to make semi-annual lease payments to the CFA, and the CFA in turn will use said lease payments to be received from the City as collateral to issue its LRBs in the capital markets.

The property to be leased under the leases will consist of various City streets that will be determined to have adequate value to satisfy legal and marketing requirements. Valuation of the leased properties will be performed by Kosmont Companies. The LRB proceeds will be used to repay CalPERS the total amount of the June 30, 2021 projected UAL, and possibly also the project UAL to be reported to the City in the near future, as may be directed by the City Council.

Structure Options

The City has several options in choosing the final structure. The Resolutions and estimate were prepared in a manner to allow the City maximum flexibility in its choices.

UAL

Bringing the City's plan funded status to 100% would also mean including the additional UAL that will be reported to the City near the end of this summer. With the issuance of LRBs, the City has the option to fund the anticipated UAL amount and forward the monies to CalPERS as soon as CalPERS reports the additional amount. If there are additional bond proceeds, the City will be able to apply them to bond payments. The actual sizing of the financing will be determined as the sale date approaches, which is currently scheduled for July 13.

The primary options the City has to consider are as follows:

Sizing

- Refinance all of the June 30, 2021 UAL only.
- Refinance all of the June 30, 2021 UAL plus the estimated June 30, 2022 UAL (Recommended).

FY 2021-22 Payments

- Schedule payments such that FY 2021-22 payments are approximately the same as the next subsequent years' payments (which are estimated to be \$13M to \$13.8M per year).
- Schedule payments such that FY 2021-22 payments are less than the next subsequent years' payments. (A \$12.5 million bond payment was recommended in the City Manager's proposed budget.)
- Schedule an interest only payment (of approximately \$5 million) for FY 2021-22. (Beyond what is identified in the proposed budget, this would allow the Council to use additional one-time General Fund savings of up to roughly \$6 million for other one-time Capital or Operating Budget items.)
- Fund interest payments with bond proceeds (i.e. capitalize interest payments) such that the City's budget will make no bond payments in FY 2021-22. (This would allow the Council to use additional one-time General Fund savings up to roughly \$10 million for other one-time Capital or Operating Budget items, but could negatively impact Standard and Poors' impression of our LRB Structure).

Repayments

- To keep payments lower, repay bonds on a "level" debt service basis
- To repay the LRBs more quickly, front-load the repayments and have payments in later years taper off (the so-called "hybrid or hybrid modified" structure) (Recommended)

Comprehensive repayment and structuring options will be presented to the City Council and CFA on June 15th.

COORDINATION

Transaction support has been provided by Kosmont Transaction Services as the City's Financial Advisor. Additional transaction team members include Norton Rose Fulbright LLP (Bond Counsel); Richards Watson & Gershon (Disclosure Counsel); US Bank National Association (Trustee), and Stifel and Ramirez (Joint Underwriters).

FISCAL IMPACT

Savings from refinancing the CalPERS UAL will depend on the structure options chosen, and the impact to the FY 2021-22 budget will result in General Fund savings between \$2 million to \$10 million, also depending on the repayments and structure options ultimately chosen by the City Council.

Submitted by:
Marni Ruhland, Finance Director

Approved for forwarding by:
Joe Hoefgen, City Manager

Attachments:

- Resolution No. CFA-2106-02 Approving the Issuance of Lease Revenue Refunding Bonds
- Site and Facility Lease
- Lease Agreement
- Assignment Agreement
- Indenture
- Preliminary Official Statement
- Bond Purchase Agreement

RESOLUTION NO. CFA-2106-02

RESOLUTION OF THE REDONDO BEACH COMMUNITY FINANCING AUTHORITY APPROVING THE ISSUANCE OF LEASE REVENUE REFUNDING BONDS SERIES 2021A (FEDERALLY TAXABLE); APPROVING A SITE AND FACILITY LEASE, A LEASE AGREEMENT, AN ASSIGNMENT AGREEMENT, AN INDENTURE, A PRELIMINARY OFFICIAL STATEMENT, A FINAL OFFICIAL STATEMENT, AND A BOND PURCHASE AGREEMENT; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City of Redondo Beach, California (the "City") and the Redondo Beach Parking Authority, have previously entered into a Joint Exercise of Powers Agreement, dated as of July 2, 2012, establishing the Redondo Beach Community Financing Authority (the "Authority") for the purpose, among other things, of assisting the City by issuing bonds and other obligations for authorized purposes; and

WHEREAS, the City is obligated by the Public Employees' Retirement Law, commencing with Section 20000 of the Government Code of the State of California, as amended (the "Retirement Law"), to make payments relating to pension benefits accruing to the California Public Employees' Retirement System's ("CalPERS") members, including the City; and

WHEREAS, the City is obligated specifically to make certain payments to CalPERS in respect of current and retired public safety employees and miscellaneous employees under the pension programs of CalPERS that amortize such obligations over a fixed period of time (collectively, the "CalPERS Obligation"); and

WHEREAS, the CalPERS Obligation is evidenced by a contract or contracts with CalPERS with respect to public safety employees and miscellaneous employees of the City, as heretofore and hereafter amended from time to time (collectively, the "CalPERS Contract"); and

WHEREAS, the City desires that the Authority issue its Lease Revenue Bonds, Series 2021A (Federally Taxable) (the "2021A Bonds") for the purposes of funding: (i) all or a portion of its CalPERS Obligation and (ii) costs of issuing the 2021A Bonds; and

WHEREAS, the 2021A Bonds are to be issued pursuant to an Indenture (the "Indenture"), by and between the Authority and U.S. Bank National Association (the "Trustee"), and pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"); and

WHEREAS, it is proposed that the 2021A Bonds be sold on a negotiated basis in accordance with the terms and provisions of a bond purchase agreement (the "Bond Purchase Agreement") among the Authority, the City and Stifel, Nicolaus & Company,

Incorporated and Ramirez & Co., Inc., as underwriters for the 2021A Bonds (the "Underwriters"), the proposed form of which is on file with the City Clerk of the City; and

WHEREAS, it is proposed that the City and the Authority enter into a Site and Facility Lease (the "Site Lease"), by and between the City and the Authority, the proposed form of which is on file with the City Clerk of the City, pursuant to which the City will lease property of the City as an Authorized Officer (defined hereafter) shall designate, expected to constitute a portion of roads and streets owned by the City and available for lease (the "Leased Property") to the Authority; and

WHEREAS, it is proposed that the City and the Authority enter into a Lease Agreement (the "Lease"), by and between the Authority and the City, pursuant to which City will lease the Leased Property from the Authority, the proposed form of which is on file with the Secretary of the Authority; and

WHEREAS, under the Lease, the City will be obligated to make lease payments to the Authority which the Authority will use to pay debt service on the 2021A Bonds; and

WHEREAS, the Authority will assign its rights under the Lease, including the right to receive lease payments, to the Trustee pursuant to an Assignment Agreement (the "Assignment Agreement"), by and between the Authority and the Trustee, the proposed form of which is on file with the Secretary of the Authority; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) ("SB 450") requires that the governing body of a public body obtain prior to authorizing the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, there have been presented at this meeting the proposed forms of the following documents:

- (a) the Indenture;
- (b) the Site Lease;
- (c) the Lease;
- (d) the Assignment Agreement;
- (e) the Preliminary Official Statement; and

(f) the Bond Purchase Agreement;

WHEREAS, the City Council of the City has found and determined that the issuance of the 2021A Bonds will result in significant public benefits within the contemplation of Section 6586 of the Act; and

WHEREAS, the Authority has reviewed the above-referenced documents related to the issuance of the 2021A Bonds which documents are on file with the Secretary of the Authority; and

NOW, THEREFORE, THE REDONDO BEACH COMMUNITY FINANCING AUTHORITY HEREBY DETERMINES, FINDS, AND RESOLVES AS FOLLOWS:

Section 1. Approval of Recitals. The Authority hereby finds and determines that the foregoing recitals are true and correct.

Section 2. Approval of the Issuance of the 2021A Bonds. The Authority hereby approves the issuance by the Authority of the 2021A Bonds. The 2021A Bonds are hereby approved for the purposes of funding: (i) all or a portion of its CalPERS Obligation and (ii) costs of issuing the 2021A Bonds.

Section 3. Approval of the Site Lease. The Authority hereby approves the Site Lease in substantially the form on file with the Secretary of the Authority. The Chair or his designee, as approved by the City Attorney (each, an "Authorized Officer"), is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Site Lease in substantially the form on file, with such revisions, amendments and completions as may be approved by the Authorized Officer executing the same, subject to the provisions of this Resolution, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. Approval of the Lease. The Authority hereby approves the Lease Agreement in substantially the form on file with the Secretary of the Authority. Any Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Lease in substantially the form on file, with such revisions, amendments and completions as may be approved by the Authorized Officer executing the same, subject to the provisions of this Resolution, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Approval of the Assignment Agreement. The Authority hereby approves the Assignment Agreement in substantially the form on file with the Secretary of the Authority. Any Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Assignment Agreement in substantially the form on file, with such revisions, amendments and completions as may be approved by the Authorized Officer executing the same, subject to the provisions of this Resolution, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. Approval of the Indenture. The Authority hereby approves the Indenture in substantially the form on file with the Secretary of the Authority. Any Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Indenture in substantially the form on file, with such revisions, amendments and completions as may be approved by the Authorized Officer executing the same, subject to the provisions of this Resolution, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. Approval of the Bond Purchase Agreement. The Authority hereby authorizes and directs that the 2021A Bonds be sold on a negotiated basis to the Underwriters. Any Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the City, to undertake all appropriate steps to implement the sale of the 2021A Bonds. The total principal amount of the 2021A Bonds shall not exceed \$240,000,000. The true interest cost for the 2021A Bonds shall not exceed 3.75% per annum and the Underwriters' discount or fee (excluding any original issue discount) shall not exceed 4.50% of the original principal amount of the 2021A Bonds. The final maturity of the Bonds shall not exceed 30 years. The Bond Purchase Agreement, in substantially the form on file with the Secretary of the Authority and presented to the Authority Board at this meeting, is hereby approved. Any Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Bond Purchase Agreement, with such additions and changes as may be approved by the Authorized Officer executing the same, subject to the provisions of this Resolution, such approval to be conclusively evidenced by the execution and delivery thereof, and the City Clerk is hereby authorized to attest to such execution.

Section 8. Approval of the Preliminary Official Statement and Official Statement. The Authority hereby approves the Preliminary Official Statement, in substantially the form on file with the Secretary of the Authority, with such revisions, amendments and completions as may be approved by an Authorized Officer in order to make the Preliminary Official Statement final as of its date, except for the omission of certain information, as permitted by Section 240.15c2-12(b)(1) of Title 17 of the Code of Federal Regulations (the "Rule") and any certificate relating to the finality of the Preliminary Official Statement under the Rule. Any Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the final Official Statement in substantially the form hereby approved, with such additions and changes as may be approved by the Authorized Officer executing the same, subject to the provisions of this Resolution, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 9. Good Faith Estimates. In accordance with SB 450, good faith estimates of the following are set forth on Exhibit A attached hereto: (a) the true interest cost of the 2021A Bonds, (b) the sum of all fees and charges paid to third parties with respect to the 2021A Bonds, (c) the amount of proceeds of the 2021A Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the 2021A Bonds, and (d) the sum total of all debt service payments on the 2021A Bonds calculated to the final maturity of

the 2021A Bonds plus the fees and charges paid to third parties not paid with the proceeds of the 2021A Bonds.

Section 10. Official Actions. Each Authorized Officer, the Secretary, and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all other actions, including the publication of any notices necessary or desirable in connection with the sale of the 2021A Bonds, procurement of municipal bond insurance and/or a reserve surety, if necessary or desirable, the addition of capitalized interest, if necessary or desirable, and execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, terminations, warrants and other documents, which they, or any of them, deem necessary or advisable to consummate the lawful issuance and sale of the 2021ABonds and the transactions as described herein.

Section 11. Ratification. All actions heretofore taken by any Authorized Officer or any officer, employee or agent of the Authority with respect to the issuance, delivery and sale of the 2021A Bonds or in connection with or related to any of the agreements referred to herein, are hereby approved, confirmed and ratified.

Section 12. Effective Date. This Resolution shall become effective immediately upon adoption.

Section 13. Certification. The Secretary shall certify to the adoption of this Resolution. Notwithstanding the foregoing, such certification and any of the other duties and responsibilities assigned to the Secretary pursuant to this Resolution may be performed by a Deputy Secretary with the same force and effect as if performed by the Secretary hereunder.

PASSED AND ADOPTED by the Redondo Beach Community Financing Authority, at a regular meeting held on the 15th day of June 2021.

REDONDO BEACH COMMUNITY
FINANCING AUTHORITY

William C Brand, Chair

APPROVED AS TO FORM:

ATTEST:

Michael W. Webb, City Attorney

Eleanor Manzano, CMC, Secretary

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF REDONDO BEACH)

I, Eleanor Manzano, Secretary of the Redondo Beach Community Financing Authority, do hereby certify that Resolution No. CFA-2106-02 was passed and adopted by the Redondo Beach Community Financing Authority, at a regular meeting of the Authority held on the 15th day of June, 2021, and thereafter signed and approved by the Chairman and attested by the Secretary, and that said resolution was adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Eleanor Manzano, CMC
Secretary

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from Kosmont Transactions Services, Inc. with respect to the bonds (the "2021A Bonds") approved in the Resolution, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the 2021A Bonds:

1. *True Interest Cost of the 2021A Bonds.* Assuming an aggregate principal amount of \$237,545,000 of the 2021A Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the 2021A Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the 2021A Bonds, is 3.5069%.

2. *Finance Charge of the 2021A Bonds.* Assuming an aggregate principal amount of \$237,545,000 of the 2021A Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the 2021A Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the 2021A Bonds), is as follows:

a)	Underwriters' Discount	\$1,068,952.50
b)	Bond Counsel and Disbursements	146,800.00
c)	Disclosure Counsel and Disbursements	45,000.00
d)	Municipal Advisor and Disbursements	135,000.00
e)	Rating Agency	125,000.00
f)	Other Expenses	<u>48,200.00</u>
Total		\$1,568,952.50

3. *Amount of Proceeds to be Received.* Assuming an aggregate principal amount of \$237,545,000 of the 2021A Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the 2021A Bonds less the finance charge of the 2021A Bonds described in 2 above and any reserves or capitalized interest paid or funded with proceeds of the 2021A Bonds, is \$230,003,520.22.

4. *Total Payment Amount.* Assuming an aggregate principal amount of \$237,545,000 of the 2021A Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the 2021A Bonds plus the finance charge of the 2021A Bonds described in paragraph 2 above not paid with the proceeds of the 2021A Bonds, calculated to the final maturity of the 2021A Bonds, is \$375,822,272.28.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of 2021A Bond sales, the amount of 2021A Bonds sold, the amortization of the 2021A Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of 2021A Bonds sold will be determined by the Authority based on need for project funds and other factors. The actual interest rates at which the 2021A Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the 2021A Bonds will also depend, in part, on market interest rates at the time of sale. Market interest rates are affected by economic and other factors beyond the City's and the Authority's control. The City and the Authority have approved the issuance of the 2021A Bonds with a maximum true interest cost of 3.75%

**NRF DRAFT
6/10/21**

SITE AND FACILITY LEASE

Dated as of July 1, 2021

by and between

CITY OF REDONDO BEACH

and

REDONDO BEACH COMMUNITY FINANCING AUTHORITY

Relating to the

**\$[Par Amount]
Redondo Beach Community Financing Authority
Lease Revenue Bonds
Series 2021A (Federally Taxable)**

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EXHIBIT A — DESCRIPTION OF THE LEASED PROPERTY

SITE AND FACILITY LEASE

This SITE AND FACILITY LEASE, dated as of July 1, 2021 (this "Site Lease"), is made by and between the CITY OF REDONDO BEACH, a charter city duly organized and existing under the laws of the State of California (the "City"), as lessor, and the REDONDO BEACH COMMUNITY FINANCING AUTHORITY, a joint exercise of powers authority, duly organized and existing under the laws of the State of California (the "Authority"), as lessee.

RECITALS:

WHEREAS, the City is leasing the property more particularly described in Exhibit A attached hereto (the "Leased Property") to the Authority; and

WHEREAS, the Authority has determined to issue its Lease Revenue Bonds, Series 2021A (Federally Taxable) (the "2021A Bonds") pursuant to an Indenture, dated as of July 1, 2021 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"); and

WHEREAS, the Authority, concurrently with the execution of this Site Lease, will lease the Leased Property to the City pursuant to a Lease Agreement, dated as of July 1, 2021 (the "Lease"), by and between the City and the Authority, in consideration for base rental payments equal to the principal and interest coming due on the 2021A Bonds; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Site Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Site Lease;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

SECTION 1. DEFINITIONS.

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture or the Lease, as applicable.

SECTION 2. SITE LEASE.

The City hereby leases the Leased Property to the Authority and the Authority hereby leases the Leased Property from the City, on the terms and conditions hereinafter set forth.

SECTION 3. TERM.

The term of this Site Lease shall commence on _____, 2021. This Site Lease shall constitute a lease of the City's interest in the Leased Property.

The term of this Site Lease shall expire on the earliest of (i) the Expiration Date; (ii) the date the last base rental payment is made under the provisions of the Lease; or (iii) the date of discharge of the Indenture pursuant to Section 10.03 thereof. Notwithstanding the foregoing, the term of this Lease shall automatically be extended for a period of ten (10) years, if, on the Expiration Date, the Indenture has not been fully discharged, and shall terminate on the date when the Indenture has been fully discharged.

SECTION 4. RENTAL.

The Authority agrees to pay to the Trustee, on the Closing Date, the proceeds of the Bonds, as advance rental for the use and right to possession of the Leased Property for the term of this Site Lease. The rental shall be applied by the Trustee as provided in the Indenture.

SECTION 5. TITLE.

Throughout the term of this Site Lease, title to the Leased Property shall remain in the City.

SECTION 6. DEFAULT.

(a) If the Authority shall fail to keep, observe or perform any term, covenant or condition contained herein to be kept or performed by the Authority, or (b) if (1) the Authority's interest in this Site Lease or any part thereof is assigned or transferred without the written consent of the City, either voluntarily or by operation of law or otherwise, except as provided in Section 11 hereof, or (2) any proceeding under the United States Bankruptcy Code or any federal or state bankruptcy, insolvency or similar law or any law providing for the appointment of a receiver, liquidator, trustee or similar official of the Authority or of all or substantially all of its assets is instituted by or with the consent of the Authority, or is instituted without its consent and is not permanently stayed or dismissed within sixty (60) days, or if the Authority offers to the Authority's creditors to effect a composition or extension of time to pay the Authority's debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for readjustment of the Authority's debts, or if the Authority shall make a general assignment or any assignment for the benefit of the Authority's creditors, then the Authority shall be deemed to be in default hereunder and it shall be lawful for the City to exercise any and all rights and remedies available pursuant to law; provided however, that: (i) no merger of this Site Lease and of the Lease shall be deemed to occur as a result thereof; and (ii) so long as any Bonds remain outstanding the City shall have no power to terminate this Site Lease by reason of any default on the part of the Authority if such termination would prejudice the exercise of the remedies provided in Section 10 (captioned "DEFAULT") of the Lease.

Neither the City nor the Authority shall in any event be in default in the performance of any of its obligations hereunder or imposed by law unless and until the City or the Authority (as the case may be) shall have failed to perform such obligations within sixty (60) days after notice by the Authority or the City to the nonperforming party properly specifying wherein such party has failed to perform any such obligation.

SECTION 7. EMINENT DOMAIN.

If the whole or any part of the Leased Property shall be taken under the power of eminent domain, the interest of the Authority shall be recognized and is hereby determined to be the amount of the unpaid principal components of base rental payments due under the Lease, and all accrued interest thereon, and the amount of the unpaid Additional Rental Payments due under the Lease, and the balance of the award, if any, shall be paid to the City.

SECTION 8. RIGHT OF ENTRY.

The City and its assignees shall have the right to enter the Leased Property during reasonable business hours (and in emergencies at all times) (a) to inspect the same, (b) for any purpose connected with the City's or the Authority's rights or obligations under this Site Lease and (c) for all other lawful purposes.

SECTION 9. TERMINATION.

The Authority agrees, upon the termination of this Site Lease, to quit and surrender the Leased Property in the same good order and condition as the same were in at the time of commencement of the term hereunder, reasonable wear and tear excepted, and the Authority and the City agree that any permanent improvements and structures existing upon the Leased Property at the time of the termination of this Site Lease shall remain thereon and title thereto shall be vested in the City.

SECTION 10. QUIET ENJOYMENT BY THE AUTHORITY.

The Authority shall at all times during the term of this Site Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the City, subject to the Authority's compliance with the terms and provisions hereof and of the Lease.

SECTION 11. ASSIGNMENTS AND SUBLEASES.

The Authority shall not assign, mortgage, hypothecate or otherwise encumber this Site Lease or any rights hereunder or the leasehold created hereby by trust agreement, indenture or deed of trust or otherwise or sublet the Leased Property without the written consent of the City, except as provided by the Lease and as security for the 2021A Bonds.

SECTION 12. WAIVER OF PERSONAL LIABILITY.

All liabilities hereunder on the part of the Authority shall be solely liabilities of the Authority as a separate legal entity, and no member, officer or employee of the Authority shall at

any time or under any circumstances be individually or personally liable hereunder for anything done or omitted to be done by the Authority hereunder.

SECTION 13. TAXES.

The City agrees and covenants to pay, any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Leased Property (including both land and improvements thereon).

SECTION 14. GOVERNING LAW.

This Site Lease shall be governed by and construed in accordance with the laws of the State of California.

SECTION 15. NOTICES.

All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail, return receipt requested, postage pre-paid, and,

if to the City:

City of Redondo Beach
415 Diamond Street
Redondo Beach, California 90277
Attention: City Manager

if to the Authority:

Redondo Beach Community Financing Authority
c/of City of Redondo Beach
415 Diamond Street
Redondo Beach, California 90277
Attention: Chairperson

or to such other addresses as the respective parties may from time to time designate by notice in writing.

SECTION 16. VALIDITY AND SEVERABILITY.

If any one or more of the terms, provisions, covenants or conditions of this Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site Lease shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

If for any reason this Site Lease shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the City or by the Authority, or if for any reason it is held by such a court that any of the covenants and conditions of the Authority hereunder is unenforceable for the full term hereof, then and in such event this Site Lease is and shall be deemed to be a lease from year to year and all of the rental and other terms, provisions and conditions of this Site Lease, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

SECTION 17. PURPOSE OF THE LEASED PROPERTY.

The Authority covenants that during the term of this Site Lease, it shall use the Leased Property for the purposes described in the Lease and for such other purposes as may be incidental thereto.

SECTION 18. WAIVER OF DEFAULT.

Failure of the City to take advantage of any default on the part of the Authority shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this Site Lease be construed to waive or to lessen the right of the City to insist upon performance by the Authority of any term, covenant or condition hereof, or to exercise any rights given the City on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent hereunder shall not be, nor be construed to be, a waiver of any term, covenant or condition of this Site Lease.

SECTION 19. SECTION HEADINGS.

All section headings contained are for convenience of reference only and are not intended to define or limit the scope of any provision of this Site Lease.

SECTION 20. AMENDMENTS.

This Site Lease may be amended in writing as may be mutually agreed by the Authority and the City.

SECTION 21. EXECUTION.

This Site Lease may be executed in any number of counterparts, each of which shall be deemed to an original, but all together shall constitute but one and the same Site Lease. It is also agreed that separate counterparts of this Site Lease may separately be executed by the City and the Authority, all with the same force and effect as though the same counterpart had been executed by both the City and the Authority.

IN WITNESS WHEREOF, the City and the Authority have caused this Site Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

REDONDO BEACH COMMUNITY
FINANCING AUTHORITY

ATTEST:

By _____
William C. Brand, Chair

By _____
Eleanor Manzano, Secretary

CITY OF REDONDO BEACH

By _____
William C. Brand, Mayor

ATTEST:

By _____
Eleanor Manzano, City Clerk

APPROVED AS TO FORM:

By _____
Michael W. Webb, City Attorney

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of the streets set forth on the attached list.

NRF DRAFT
6/10/21

LEASE AGREEMENT

Dated as of July 1, 2021

by and between

REDONDO BEACH COMMUNITY FINANCING AUTHORITY

and

CITY OF REDONDO BEACH

Relating to

 \$[Par Amount]
Redondo Beach Community Financing Authority
Lease Revenue Bonds
Series 2021A (Federally Taxable)

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EXHIBIT A — DESCRIPTION OF THE LEASED PROPERTY

EXHIBIT B — BASE RENTAL PAYMENT SCHEDULE

LEASE AGREEMENT

This Lease Agreement, dated as of July 1, 2021 (this "Lease"), is made by and between the REDONDO BEACH COMMUNITY FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), as lessor, and the CITY OF REDONDO BEACH, a charter city duly organized and existing under the laws of the State of California (the "City"), as lessee.

RECITALS:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated July 2, 2012, by and between the City of Redondo Beach (the "City") and the Redondo Beach Parking Authority, and under the provisions of Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to borrow money for the purpose of financing and refinancing public capital facilities; and

WHEREAS, the City is obligated by the Public Employees' Retirement Law, commencing with Section 20000 of the Government Code of the State of California, as amended (the "Retirement Law"), to make payments relating to pension benefits accruing to the California Public Employees' Retirement System's ("CalPERS") members, including the City; and

WHEREAS, the City is obligated specifically to make certain payments to CalPERS in respect of current and retired public safety employees and miscellaneous employees under the pension programs of CalPERS that amortize such obligations over a fixed period of time, including normal costs (collectively, the "CalPERS Obligation"); and

WHEREAS, the CalPERS Obligation is evidenced by a contract or contracts with CalPERS with respect to public safety employees and miscellaneous employees of the City, as heretofore and hereafter amended from time to time (collectively, the "CalPERS Contract"); and

WHEREAS, the City desires that the Authority issue its Lease Revenue Bonds, 2021 Series A (Federally Taxable) (the "2021A Bonds") for the purposes of funding: (i) all or a portion of its CalPERS Obligation and (ii) costs of issuing the 2021A Bonds; and

WHEREAS, in connection with the issuance of the 2021A Bonds, the City and the Authority have entered into a Site and Facility Lease, dated as of July 1, 2021 (the "Site Lease"), whereby the Authority has agreed to lease the Leased Property described in Exhibit A; and

WHEREAS, the Authority, pursuant to this Lease, will sublease the Leased Property described in Exhibit A to the City, in consideration for base rental payments to be made by the City pursuant to this Lease, in accordance with the base rental schedule in Exhibit B, that corresponds in amount to the principal and interest coming due with respect to the 2021A Bonds; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Lease;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

Terms used herein and not otherwise defined herein but defined in the Indenture shall have the meanings ascribed to them in the Indenture. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease, have the meanings herein specified, the following definitions to be equally applicable to both the singular and plural forms of any of the terms herein defined:

“Additional Rental Payments” means Additional Rental Payments due under Section 3(b) hereof.

“Base Rental Payments” means 2021A Base Rental Payments.

“Expiration Date” means May 1, 20__.

“Insurance Consultant” means an individual or firm retained by the City as an independent insurance consultant, experienced in the field of risk management.

“Interest Component” means the interest component of any Base Rental Payments as set forth in the exhibit to this Lease relating to such Base Rental Payments.

“Lease” means this Lease.

“Leased Property” consists of the City’s interest in the City’s public streets, whether in fee simple or by easement, as more particularly described in Exhibit A.

“Net Proceeds” means proceeds if any casualty or title insurance or condemnation awards, paid with respect to the Leased Property remaining after payment therefrom of all expenses in the collection thereof.

“Permitted Encumbrances” means, with respect to the Leased Property, as of any particular time, (i) the Site Lease; (ii) this Lease, (iii) the Indenture, the Assignment Agreement and the Trustee’s and the Authority’s interests in the Leased Property, (iv) liens for taxes and assessments not then delinquent, (v) utility, access and other easements and rights of way, restrictions and exceptions that as certified in a Certificate of the City will not interfere with or impair the use intended to be made of the Leased Property; (vi) encumbrances upon any additions and improvements to the Leased Property as permitted in this Lease and which do not materially impair the use intended to be made of the portions of the Leased Property other than such additions

and improvements; (vii) any sublease or use permitted by this Lease, (viii) covenants, conditions or restrictions or liens of record relating to the Leased Property and existing on the Closing Date; and (ix) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property similar in character to the Leased Property and as do not materially impair the use intended to be made of property affected thereby.

“Principal Component” means the principal component of any Base Rental Payments as set forth in the exhibit to this Lease relating to such Base Rental Payments.

“2021A Base Rental Payments” means Base Rental Payments to be made by the City hereunder in accordance with the base rental schedule attached hereto as Exhibit B in connection with the 2021A Bonds.

SECTION 2. TERM

The Authority hereby leases to the City and the City hereby leases from the Authority, on the terms and conditions hereinafter set forth, the Leased Property. The term of this Lease shall commence on [July 15], 2021. The term of the leasehold interest created hereby shall expire on the earliest of (i) the Expiration Date; (ii) the date the last Base Rental Payment is made under the provisions hereof; or (iii) the date of discharge of all of the 2021A Bonds pursuant to Section 10.03 of the Indenture. Notwithstanding the foregoing, the term of this Lease shall automatically be extended for a period of ten (10) years, if, on the Expiration Date, the 2021A Bonds have not been fully discharged, and shall terminate on the date when the 2021A Bonds have been fully discharged.

SECTION 3. RENTAL

Subject to the provisions of Sections 11 and 16 hereof, the City agrees to pay to the Authority, its successors or assigns, as rental for the use and possession of the Leased Property, the following amounts at the following times:

(a) Base Rental Payments; Additional Base Rental Payments. The City shall pay the Base Rental Payments to the Trustee, as assignee of the Authority, as hereinafter provided, in accordance with the Base Rental Payment Schedule attached hereto as Exhibit B. The City shall pay to the Trustee the Base Rental Payments coming due fifteen (15) Business Days prior to the next succeeding May 1 and November 1, respectively, as set forth in Exhibit B and such payments shall constitute payment in arrears in consideration for the City’s use and possession of the Leased Property for the six-month period preceding the due date of such Base Rental Payments.

(b) Additional Rental Payments. The City shall also pay, as “Additional Rental Payments” hereunder, in addition to the Base Rental Payments, to the Trustee, as assignee of the Authority, as hereinafter provided, such amounts in each year as shall be required for the payment of all costs and expenses (not otherwise paid for or provided for out of the proceeds of sale of the 2021A Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of this Lease or the assignment hereof, the Indenture, or the Authority’s or the Trustee’s interest in the Leased Property, including, but not limited to, all fees, costs and expenses, all administrative costs of the Authority relating to the Leased Property (including, without limiting the generality of the foregoing, salaries and wages of employees,

overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture), fees of auditors, accountants, attorneys or engineers, all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the 2021A Bonds or of the Indenture. Such Additional Rental Payments shall be billed to the City by the Authority or the Trustee from time to time. Amounts so billed shall be paid by the City within sixty (60) days after receipt of the bill by the City.

(c) Fair Rental Value. Such payments of Base Rental Payments and Additional Rental Payments for each rental payment period shall constitute the total rental for such rental payment period, and shall be paid by the City in each rental payment period for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property during each such period for which said rental is to be paid. The City represents and covenants that the average useful life of the Leased Property is not shorter than the final maturity of the 2021A Bonds. The parties to the Lease specifically acknowledge that the annual fair rental value of the Leased Property is in excess of the maximum annual Base Rental Payments. In making such determination, consideration has been given to other obligations of the parties under this Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public. The determination of fair rental value of the Leased Property pursuant to this paragraph shall not be deemed to be controlling in connection with a determination of fair value of the Leased Property by the parties hereto for any other purpose.

(d) Payment of Base Rental Payments. Each installment of Base Rental Payments payable hereunder shall be paid in lawful money of the United States of America to the order of the Trustee at the corporate trust office of the Trustee in Los Angeles, California, or such other place as the Trustee shall designate. The Base Rental Payments shall be made on a *pari passu* basis with each other. Notwithstanding any dispute between the City and the Authority, the City shall make all Base Rental Payments when due, without deduction or offset of any kind, and shall not withhold any Base Rental Payments pending the final resolution of any such dispute. In the event of a determination that the City was not liable for said Base Rental Payments or any portion thereof, said Base Rental Payments or excess of payments, as the case may be, shall, at the option of the City, be credited against subsequent Base Rental Payments due hereunder or be refunded at the time of such determination.

(e) Increases in Aggregate Base Rental Payments. The City covenants that it shall not permit an increase in the Base Rental Payments without first obtaining an opinion of Bond Counsel to the effect that the incurring of such increased Base Rental Payments will not impair the validity and enforceability of this Lease.

(f) Covenant to Budget and Appropriate. The City covenants to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due hereunder in its annual budget and to make the necessary annual appropriations for all such Base Rental Payments and Additional Rental Payments, subject only to abatement as provided in Section 16 hereof. The City will furnish to the Authority and the Trustee annually, on or before September 1, a certificate stating that it has complied with the covenant set forth in this paragraph. The covenants on the part of the City herein contained shall be deemed to be and shall be construed

to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Lease agreed to be carried out and performed by the City.

The obligation of the City to make Base Rental Payments or Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the 2021A Bonds nor the obligation of the City to make Base Rental Payments or Additional Rental Payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

SECTION 4. USE OF PROCEEDS

The parties hereto agree that the proceeds of the 2021A Bonds will be used to for the purposes of funding: (i) all or a portion of its CalPERS Obligation and (ii) costs of issuing the 2021A Bonds.

SECTION 5. MAINTENANCE, UTILITIES, TAXES AND ASSESSMENTS

During such time as the City or any assignee or sublessee thereof is in possession of the Leased Property, all maintenance and repair, ordinary or extraordinary, of the Leased Property shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of (a) all utility services supplied to the Leased Property, (b) the cost of operation of the Leased Property, and (c) the costs of maintenance of and repair to the Leased Property resulting from ordinary wear and tear or want of care on the part of the City. The City shall at the City's sole cost and expense keep and maintain the Leased Property clean and in a safe and good condition and repair. The Authority shall have no obligation to alter, remodel, improve, repair, decorate, or paint the Leased Property or any part thereof, and the parties hereto affirm that the Authority has made no representations or warranties to the City respecting the condition of the Leased Property.

The City shall comply with all statutes, ordinances, regulations, and other requirements of all governmental entities that pertain to the occupancy or use of the Leased Property. The Authority has no responsibility or obligation whatsoever to construct any improvements, modifications or alterations to the Leased Property.

The City waives the right to make repairs at the Authority's expense under Subsection 1 of Section 1932 and Section 1942 of the California Civil Code, or any other such law, statute, or ordinance now or hereafter in effect.

The parties hereto contemplate that the Leased Property will be used for public purposes by the City and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. If the use, possession or acquisition by the Authority or the City of the Leased Property is found to be subject to taxation in any form, the City will pay during the term hereof, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired

by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Leased Property; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as this Lease is in effect.

SECTION 6. CHANGES TO THE LEASED PROPERTY

The City shall have the right during the term of this Lease to acquire and construct improvements or to attach fixtures, structures or signs to the Leased Property if such improvements, fixtures, structures or signs are necessary or beneficial for the use of the Leased Property by the City; provided, however, that no such acquisition or construction shall result in a material reduction in the value of the Leased Property, reduce the fair rental value thereof or substantially alter the nature of the Leased Property.

Upon termination of this Lease, the City may remove any fixture, structure or sign added by the City, but such removal shall be accomplished so as to leave the Leased Property, except for ordinary wear and tear and damage by casualty, in substantially the same condition as it was in before the fixture, structure or sign was attached.

SECTION 7. SUBSTITUTION AND RELEASE OF PROPERTY

The parties to the Lease specifically acknowledge that the annual fair rental value of the Leased Property is in excess of the maximum annual Base Rental Payments. The City shall have, so long as this Lease is in effect, and is hereby granted, the option at any time and from time to time, to substitute other real property (the "Substitute Property") for any portion of the Leased Property (the "Former Property") or release any identifiable real property and/or improvements currently constituting the Leased Property (in such case, Substitute Property shall mean the Former Property less any portion released pursuant to this Section); provided, that the City shall satisfy all of the following requirements, which are conditions precedent to such substitution:

(a) No default under Section 10 hereof or Event of Default shall have occurred and be continuing;

(b) The City shall file with the Authority and the Trustee, and cause to be recorded in the office of the County Recorder, if necessary, sufficient memorialization of amendments to this Lease and the Site Lease which replaces Exhibit A hereto and Exhibit A to the Site Lease with a description of such Substitute Property which deletes therefrom the description of the Former Property; provided, however, that this requirement shall not apply to Substitute Property that consists only of other streets or roadways of the City;

(c) The City shall obtain an extended California Land Title Association ("CLTA") policy of title insurance insuring the City's fee or leasehold estate in such Substitute Property, the City's leasehold estate hereunder, and the Authority's leasehold estate under the Site Lease in such Substitute Property, subject only to Permitted Encumbrances, in an amount not less than the aggregate principal amount of the Outstanding Bonds; provided, however, that this requirement shall not apply to Substitute Property that (i) consists only of Former Property less any released portion or (ii) consists only of other streets or roadways of the City;

(d) The City shall provide a Certificate of the City to the Authority and to the Trustee that such Substitute Property constitutes property which the City is permitted to lease under the laws of the State of California;

(e) The substitution of the Substitute Property shall not cause the City to violate any of its covenants, representations and warranties made herein;

(f) The City shall file with the Authority and the Trustee a Certificate of the City or other evidence which establishes that the annual fair rental value of the Substitute Property after substitution or release will be at least equal to 100% of the maximum amount of the Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year and the useful economic life of the Substitute Property shall be at least equal to the maximum remaining term of this Lease; and

(g) The City shall furnish to the Trustee an opinion of Bond Counsel addressed to the Trustee, the City and the Authority to the effect that the substitution or release is permitted under this Lease.

Upon the satisfaction of all such conditions precedent, and upon the City delivering to the Authority and the Trustee a Certificate of the City certifying that the conditions set forth in subsections (a), (c) and (e) of this Section have been satisfied, the Term of this Lease shall thereupon end as to the Leased Property and shall thereupon commence as to the Substitute Property, and all references to the Leased Property shall apply with full force and effect to the Substitute Property. The City shall not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments whatsoever as a result of any substitution or removal hereunder.

SECTION 8. INSURANCE

(a) The City shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in this Section 8, all coverage on the Leased Property required by this Section 8.

Such insurance shall consist of:

(1) The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, property insurance against loss or damage to all improvements situated on the Leased Property. The property insurance required by this Section 8 shall be in an amount at least equal to the aggregate principal amount of the Outstanding Bonds, except when the Leased Property consists of all or a portion of the City's streets. Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; the City is not obligated to maintain earthquake insurance. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing

pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in Section 9;

(2) The City shall maintain or cause to be maintained throughout the Term of this Lease, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of Section 9, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid; and

(3) Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor Code of the State, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Leased Property and to cover full liability for compensation under any such act; provided, however, that the City's obligations under this clause (3) may be satisfied by self-insurance.

If the City elects to provide self-insurance pursuant to clauses (1), (2) and/or (3) above, the City shall annually cause to be delivered to the Trustee, upon request, a certificate of an Insurance Consultant certifying to the adequacy of the City's reserves for such insurance.

All policies or certificates of insurance provided for herein shall name the City as a named insured and the Trustee as an additional insured. All proceeds of insurance maintained under clauses (1) and (3) shall be deposited with the City and under clause (2) shall be deposited with the Trustee.

Notwithstanding the generality of the foregoing, the City shall not be required to maintain or cause to be maintained more insurance than is specifically referred to above or any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market.

(b) Form of Policies. The City shall deliver to the Trustee on or before the Closing Date and each anniversary of the Closing Date a Certificate of the City that all insurance required under this Lease is in full force and effect. If the City obtains insurance through a pooled insurance program of governmental entities, an annual statement or memorandum of coverage delivered to the Authority and the Trustee will satisfy the requirements of this subsection. The

Trustee and the Authority shall not be responsible for the sufficiency of any insurance herein required or payment of premium and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City.

(c) Advances. If the City shall fail to perform any of its obligations under this Section, then the Authority or the Trustee may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money on behalf of the City, and the City shall be obligated to repay all such advances as soon as possible.

SECTION 9. DAMAGE, DESTRUCTION AND CONDEMNATION; APPLICATION OF NET PROCEEDS

If prior to the termination of the term hereof (a) the Leased Property is destroyed (in whole or in part) or is damaged by fire or other casualty, or (b) title to, or the temporary use of, any portion of the Leased Property or the estate of the Authority or the City in the Leased Property or any portion shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the City elects not to repair or replace the Leased Property or portion thereof, in accordance with the provisions of this Section 9. If Net Proceeds are insufficient to repair or replace the Leased Property or portion thereof, the City shall, to the extent permitted by law, use its best efforts to fund any deficiency from any legally available funds.

If there is an abatement of rental payments pursuant to Section 16 hereof as a result of such casualty or event, and the City elects pursuant to Section 11(a) hereof to apply such insurance proceeds and such other sums as are deposited by the City pursuant to such Section to the prepayment of Base Rental Payments rather than replacing or repairing the destroyed or damaged portion of the Leased Property, then this Lease shall terminate with respect to the destroyed or damaged portion of the Leased Property as of the later of the date of such election by the City or the date the amount required by Section 11(a) hereof is received by the Trustee.

The provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, including any amendments thereto and any other law which may hereinafter be in force during the term of this Lease which authorizes the termination of this Lease upon the partial or complete destruction of the Leased Property, are hereby waived by the City.

The City hereby covenants and agrees, to the extent it may lawfully do so, that so long as any of the 2021A Bonds remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Leased Property. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the Leased Property, the value of the Leased Property shall not be less than the greater of (i) if Outstanding Bonds are then subject to redemption, the principal and interest due on the Outstanding Bonds through the date of their redemption, or (ii) if such Outstanding Bonds are not

then subject to redemption, the amount necessary to defease such Outstanding Bonds to the first available redemption date in accordance with the Indenture.

The City shall deposit any proceeds received from insurance and condemnation awards with respect to the destruction or partial destruction of Leased Property with the Trustee for deposit into the: (a) Insurance and Condemnation Fund if the City elects to repair the Leased Property or (b) the Lease Revenue Fund if the City elects to redeem the Outstanding Bonds. The City shall have forty-five (45) days from the date of any such destruction or partial destruction to determine whether to repair the Leased Property or use insurance and condemnation award proceeds received to redeem such bonds. To the extent that the City determines not to repair the Leased Property and cannot use insurance and condemnation award proceeds to redeem such bonds, the City shall and hereby covenants to substitute property for such Leased Property of equivalent or greater value in accordance with the provisions of Section 7 hereof. If the City determines to repair the Leased Property, disbursements by the Trustee shall only be made upon presentation of a requisition in a form substantially similar to Exhibit C of the Indenture. If the City determines to cause the redemption of less than the full amount of the Outstanding Bonds, such redemption shall only be made to the extent the remaining fair rental value of the Leased Property is sufficient to support the remaining Base Rental Payments supporting debt service on the Outstanding Bonds.

SECTION 10. DEFAULT

(a) Each of the following events constitutes an Event of Default hereunder:

(1) Failure by the City to pay any Base Rental Payment or other payment (including Additional Rental Payments) required to be paid hereunder at the time specified herein.

(2) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in the preceding subsection (1), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority. However, if the City notifies the Authority that in its reasonable opinion the failure stated in the notice can be corrected, but not within such thirty (30) day period, the failure will not constitute an Event of Default if the City commences to cure the failure within such thirty (30) day period and thereafter diligently and in good faith cures such failure in a reasonable period of time; provided, that such cure period shall not extend beyond sixty (60) days.

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

The Authority expressly waives the right to receive any amount from the City pursuant to Section 1951.2(a)(3) of the California Civil Code.

(b) Whenever any Event of Default has happened and is continuing, the Authority may exercise any and all remedies available under law or granted under this Lease. Notwithstanding anything herein to the contrary, there shall be no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable. Notwithstanding anything herein to the contrary, there shall be no right under any circumstances for the Authority to terminate this Lease and re-let the property to any party. Each and every covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof the Authority may exercise any and all rights granted hereunder. Upon the occurrence and during the continuance of any Event of Default, the Authority may exercise each and every one of the following remedies:

(1) *Proceedings at Law or In Equity.* If an Event of Default occurs and continues hereunder, the Authority may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

(2) *Remedies under the Site Lease.* If an Event of Default occurs and continues hereunder, the Authority may exercise its rights under the Site Lease.

SECTION 11. PREPAYMENT AND CREDITS

(a) Prepayment From Net Proceeds.

(1) The City may prepay, from Net Proceeds of insurance or a condemnation award received by it pursuant to Section 9, the Principal Component of Base Rental Payments then unpaid (and corresponding Interest Component), in whole or in part on any date, pursuant to Section 9 hereof, at a prepayment price equal to the sum of the Principal Component prepaid plus accrued interest thereon to the date of prepayment.

(2) Prepayments made pursuant to this subsection (a) shall be allocated *pro rata* among the Principal Components of Base Rental Payments relating to the 2021A Bonds.

(b) Optional Prepayment.

The City may at its option prepay from any source of available moneys for redemption of 2021A Bonds pursuant to Section 2.03(b) of the Indenture, all or any part (in an integral multiple of \$5,000) of the Principal Component of Base Rental Payments (and corresponding Interest Component), so that the aggregate annual amounts of Principal Component of Base Rental Payments which shall be payable after such prepayment shall each be an integral multiple of \$5,000, at a prepayment price equal to the principal amount to be redeemed, plus accrued but unpaid interest to the prepayment date, without premium.

Before making any prepayment pursuant to this Section, the City shall give written notice to the Trustee specifying the date on which the prepayment will be made, which date shall

be not less than forty-five (45) days from the date such notice is given unless the Trustee agrees to a shorter period.

The Authority and the City hereby agree that any prepayment in part under this Section and the redemption of any 2021A Bonds by the Authority pursuant to Section 2.03(b) of the Indenture shall be credited towards the City's obligations hereunder at the option of the City in any manner determined in writing delivered to the Trustee by the City. A prepayment made pursuant to this Section shall not cause a defeasance of any 2021A Bonds unless the requirements of Section 10.03 of the Indenture are satisfied.

In the event of prepayment in full of the Principal Component of all Base Rental Payments, such that this Lease shall be terminated by its terms as provided in Section 2, all amounts then on deposit under the Indenture which are to be credited to the City's obligations to make Base Rental Payments shall be credited towards the amounts then required to be so prepaid.

SECTION 12. MECHANICS' LIENS

In the event the City shall at any time during the term of this Lease cause any improvements or other work to be done or performed or materials to be supplied, in or upon the Leased Property, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Leased Property and which may be secured by any mechanics', materialmen's or other liens against the Leased Property or the Authority's interest therein, and will cause any such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment.

SECTION 13. QUIET ENJOYMENT

The parties hereto mutually covenant that the City, so long as it keeps and performs the covenants and agreements herein contained, shall at all times during the term of this Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

SECTION 14. INDEMNIFICATION

The City shall, to the full extent then permitted by law, indemnify, defend, protect and hold harmless the Authority, the Trustee and their members, officers, directors, agents and employees from and against any and all liabilities, obligations, losses, claims and damages whatsoever, regardless of the cause thereof (except for claims arising out of willful misconduct or negligence on the part of the Authority or the Trustee or their respective members, officers, directors or employees), and expenses in connection therewith, including, without limitation, reasonable counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of this Lease and the Indenture, the payment of the costs of acquiring the Leased Property or any accident in connection with the operation, use, condition or possession of the

Leased Property or any portion thereof resulting in damage to property or injury to or death to any person. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all rent obligations hereunder, the removal or resignation of the Trustee or the termination hereof for any reason. The City agrees not to withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions, breakdowns or infirmities of the Leased Property. The Authority and the City mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either party's learning thereof.

SECTION 15. ASSIGNMENT

The parties understand that this Lease and the rights of the Authority hereunder, with certain exceptions, will be assigned to the Trustee as provided in the Indenture and the Assignment Agreement, to which assignments the City hereby consents.

Neither this Lease nor any interest of the City hereunder shall be mortgaged, pledged, assigned or transferred by the City by voluntary act or by operation of law or otherwise; provided, that the Leased Property may be subleased in whole or in part by the City, but only subject to the following conditions, which are hereby made conditions precedent to any such sublease:

(a) This Lease and the obligation of the City to make all base rental payments and Additional Rental Payments hereunder shall remain the primary obligation of the City;

(b) The City shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) No such sublease by the City shall cause the Leased Property to be used for a primary purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California, as evidenced by a Certificate of the City that is delivered to the Trustee; and

(d) Any sublease of the Leased Property by the City shall explicitly provide that such sublease is subject to all rights of the Authority under this Lease.

SECTION 16. ABATEMENT OF RENTAL

The obligation of the City to pay Base Rental Payments and Additional Rental Payments shall be abated during any period in which by reason of any damage, destruction, condemnation or title defect there is substantial interference with the use by the City of the Leased Property or any portion thereof. Such abatement shall be in an amount such that the resulting Base Rental Payments in any year during which such interference continues does not exceed the fair rental value of the portions of the Leased Property as to which such damage, destruction, taking or title defect does not substantially interfere with the City's use and right of possession, as evidenced by a Certificate of the City. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Leased Property, and ending with the substantial completion of the work of repair or replacement of the Leased Property, or the portion

thereof so damaged or destroyed, and the term of this Lease shall be extended as provided in Section 2 hereof. Notwithstanding the foregoing, to the extent that moneys are available for the payment of base rental payments in any of the funds and accounts established under the Indenture, such base rental payments shall not be abated but shall be payable by the City as a special obligation payable solely from such funds and accounts.

SECTION 17. RESERVED

SECTION 18. CONTINUING DISCLOSURE

The City will comply with the continuing disclosure requirements applicable to it promulgated under U.S. Securities and Exchange Commission Rule 15c2-12 and will also comply with its obligations under the Continuing Disclosure Agreement, dated as of July 1, 2021, by and between the City and the Trustee related to the 2021A Bonds that are subject to Rule 15c2-12; provided, however, that the sole remedy hereunder in the event of any failure of the City to comply with this covenant shall be an action to compel performance and the City's failure to comply with any continuing disclosure requirement shall not be deemed a default or an Event of Default.

SECTION 19. WAIVER

Failure of the Authority to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may be established between the parties in the course of administering this Lease be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition hereof, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent hereunder shall not be, nor be construed to be, a waiver of any term, covenant or condition of this Lease.

SECTION 20. NET LEASE

Subject to the provisions of Section 16 ("Abatement of Rental"), this Lease shall be deemed and construed to be a "Triple-Net-Lease" and the City hereby agrees that rental provided for herein shall be an absolute net return to the Authority, free and clear of any expenses, taxes, fees, insurance premiums, rebate payments, Leased Property costs, reserve deposits, charges or setoffs whatsoever.

SECTION 21. AMENDMENTS.

This Lease may be amended in writing as may be mutually agreed by the Authority and the City; *provided*, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than a majority in aggregate principal amount of the affected 2021A Bonds then Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any Base Rental Payment, without the prior written consent of the Owner of each Bond and any Additional Bond so affected, or (b) reduce the percentage of the Outstanding Bonds the consent of the Owners of which is required for the execution of any amendment hereof.

This Lease and the rights and obligations of the Authority and the City hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution by the Authority and the City without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed herein and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved herein to or conferred herein on the Authority or the City, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority or the City may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;

(c) to effect a Substitution or Removal;

(d) to increase the amount of Base Rental Payment payable hereunder for the purpose of allowing the Authority to add any real property to be acquired and leased hereunder; or

(e) for any other purpose which shall not materially adversely affect the interests of the Owners.

SECTION 22. ESSENTIALITY

The City covenants and agrees that the Leased Property is essential to the City's exercise of its governmental functions.

SECTION 23. GOVERNING LAW

This Lease shall be governed by and construed in accordance with the laws of the State of California.

SECTION 24. NOTICES

All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications hereunder by either party to the other shall be made as provided in the Indenture.

SECTION 25. VALIDITY AND SEVERABILITY

If for any reason this Lease shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the Authority or by the City, or if for any reason it is held by such a court that any of the covenants of the City hereunder, including the covenant to pay rentals hereunder, is unenforceable for the full term hereof, then and in such event this Lease is and shall

be deemed to be a lease from year to year under which the rentals are to be paid by the City semi-annually in consideration of the right of the City to possess, occupy and use the Leased Property, and all of the rental and other terms, provisions and conditions of this Lease, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

SECTION 26. SECTION HEADINGS

All section headings contained are for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease.

SECTION 27. NO MERGER

If both the Authority's and the City's estate under this or any other lease relating to the Leased Property or any portion thereof shall at any time or for any reason become vested in one owner, this Lease and the estate created hereby shall not be destroyed or terminated by the doctrine of merger unless the City so elects as evidenced by recording a written declaration so stating, and unless and until the City so elects, the City shall continue to have and enjoy all of its rights and privileges as to the separate estates.

SECTION 28. EXECUTION

It is agreed that separate counterparts of this Lease may separately be executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.

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

REDONDO BEACH COMMUNITY
FINANCING AUTHORITY

ATTEST:

By _____
William C. Brand, Chair

By _____
Eleanor Manzano, Secretary

CITY OF REDONDO BEACH

By _____
William C. Brand, Mayor

ATTEST:

By _____
Eleanor Manzano, City Clerk

APPROVED AS TO FORM:

By _____
Michael W. Webb, City Attorney

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of the streets identified on the attached list.

EXHIBIT B

2021A BASE RENTAL PAYMENT SCHEDULE

<u>Interest Payment Dates</u> ⁽¹⁾	<u>Principal</u>	<u>Interest</u>	<u>Annual Payment</u>
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⁽¹⁾ Base Rental Payments are made fifteen (15) Business Days prior to each Interest Payment Date.

ASSIGNMENT AGREEMENT

Dated as of July 1, 2021

by and between

REDONDO BEACH COMMUNITY FINANCING AUTHORITY

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

Relating to the

**\$(Par Amount)
Redondo Beach Community Financing Authority
Lease Revenue Bonds
Series 2021A (Federally Taxable)**

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EXHIBIT A — DESCRIPTION OF THE LEASED PROPERTY

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT, dated as of July 1, 2021 (this "Assignment Agreement"), by and between the REDONDO BEACH COMMUNITY FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority") and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America and authorized to accept assignments of the nature herein set forth, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, the Authority has entered into a Site and Facility Lease, dated as of July 1, 2021 (the "Site Lease"), with the City of Redondo Beach (the "City"), whereby the Authority has agreed to lease certain real property located within the City, as described in Exhibit A attached hereto (the "Leased Property"), from the City; and

WHEREAS, the Authority has entered into a Lease Agreement, dated as of July 1, 2021 (the "Lease"), with the City, whereby the Authority has agreed to lease the Leased Property to the City; and

WHEREAS, under and pursuant to the Lease, the City is obligated to make base rental payments, including the 2021A Base Rental Payments as defined therein, to the Authority for the lease of the Leased Property; and

WHEREAS, the 2021A Base Rental Payments have been pledged by the Authority as security for the payment of principal of and interest on its Lease Revenue Bonds, Series 2021A (Federally Taxable) (the "Bonds"), authorized and issued pursuant to an Indenture, dated as of July 1, 2021 (the "Indenture"), by and between the Authority and the Trustee; and

WHEREAS, the Authority desires to assign to the Trustee without recourse certain of its rights under the Lease and the Site Lease, including all of its rights to receive the 2021A Base Rental Payments scheduled to be paid by the City under and pursuant to the Lease;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. All capitalized terms used herein without definition shall have the meanings given to such terms in the Indenture or the Lease, as appropriate.

Section 2. Assignment. The Authority does hereby assign and transfer to the Trustee all of the Authority's rights, title and interest in and to (but none of its obligations under) the Lease and the Site Lease (excepting only (i) the Authority's rights to give approvals and consents thereunder, including, without limitation, to amendments, and the Authority's rights to the payment of Additional Rental Payments pursuant to Section 3(b) of the Lease and to indemnification pursuant to Section 14 of the Lease, and (ii) the Authority's rights to receive lease payments other than the 2021A Base Rental Payments), including the Authority's rights to receive

2021A Base Rental Payments, as well as its rights to enforce payment of such 2021A Base Rental Payments when due or otherwise to protect its interests in the event of a default by the City under the Lease, in accordance with the terms thereof, in trust nonetheless and provided that should the Authority well and truly perform all of its obligations under the Indenture, this Assignment Agreement shall terminate and all interest in the Lease and the Site and Facilities Lease shall revert to the Authority. The 2021A Base Rental Payments shall be applied, and the rights of the Authority assigned hereunder shall be exercised by the Trustee, as provided in the Indenture.

Section 3. Acceptance of Assignment. The Trustee hereby accepts the assignment and transfer of such of the Authority's rights, title and interest in and to the Lease and the Site Lease as are assigned and transferred pursuant to the terms of this Assignment Agreement.

Section 4. No Additional Rights or Duties. Excepting only the assignment and transfer of rights to the Trustee pursuant to Section 2 hereof, this Assignment Agreement shall not confer any rights nor impose any duties, obligations or responsibilities upon the Trustee beyond those expressly provided in the Lease, the Site Lease and the Indenture. The Trustee does not warrant the accuracy of any of the recitals hereto. This Assignment Agreement shall not impose any duties, obligations or responsibilities upon the Authority or the City beyond those expressly provided in the Lease, the Site Lease and the Indenture or as otherwise set forth herein.

Section 5. Further Assurances. The Trustee will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Assignment Agreement, and for the better assuring and confirming to the Trustee the rights and obligations intended to be conveyed pursuant hereto.

Section 6. Counterparts. This Assignment Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 7. Governing Law. This Assignment Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 8. Notices. All notices under this Assignment Agreement shall be in accordance with Section 10.13 of the Indenture.

Section 9. Binding Effect; Successors. This Assignment Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Whenever in this Assignment Agreement any party is named or referred to, such reference shall be deemed to include such party's successors and assigns and all covenants and agreements contained in this Assignment Agreement by or on behalf of any party hereto shall bind and inure to the benefit of such party's successors and assigns whether so expressed or not.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement as of the date first above written.

REDONDO BEACH COMMUNITY FINANCING
AUTHORITY

By _____
William C. Brand, Chair

ATTEST:

Eleanor Manzano, Secretary

APPROVED AS TO FORM:

Michael W. Webb, City Attorney

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of the streets set forth on the attached list.

INDENTURE

by and between

REDONDO BEACH COMMUNITY FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of July 1, 2021

Relating to

\$(Par Amount)
Redondo Beach Community Financing Authority
Lease Revenue Bonds
Series 2021A (Federally Taxable)

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EXHIBIT A – FORM OF BOND

EXHIBIT B – FORM OF COSTS OF ISSUANCE REQUISITION

EXHIBIT C – FORM OF NET PROCEEDS REQUISITION

INDENTURE

This INDENTURE is dated as of July 1, 2021, by and between the REDONDO BEACH COMMUNITY FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office in Los Angeles, California and qualified to accept and administer the trusts hereby created, as trustee (the "Trustee").

RECITALS:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated July 2, 2012, by and between the City of Redondo Beach (the "City") and the Redondo Beach Parking Authority, and under the provisions of Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to borrow money for the purpose of financing and refinancing public capital facilities; and

WHEREAS, the City is obligated by the Public Employees' Retirement Law, commencing with Section 20000 of the Government Code of the State of California, as amended (the "Retirement Law"), to make payments relating to pension benefits accruing to the California Public Employees' Retirement System's ("CalPERS") members, including the City; and

WHEREAS, the City is obligated specifically to make certain payments to CalPERS in respect of current and retired public safety employees and miscellaneous employees under the pension programs of CalPERS that amortize such obligations over a fixed period of time (collectively, the "CalPERS Obligation"); and

WHEREAS, the CalPERS Obligation is evidenced by a contract or contracts with CalPERS with respect to public safety employees and miscellaneous employees of the City, as heretofore and hereafter amended from time to time (collectively, the "CalPERS Contract"); and

WHEREAS, the City desires that the Authority issue its Lease Revenue Bonds, 2021 Series A (Federally Taxable) (the "2021A Bonds") for the purposes of funding: (i) all or a portion of its CalPERS Obligation and (ii) costs of issuing the 2021A Bonds; and [add capitalized interest if applicable]

WHEREAS, the City and the Authority have entered into a Site and Facility Lease, dated as of July 1, 2021 (the "Site Lease"), whereby the Authority has agreed to lease the Leased Property (as defined herein) from the City; and

WHEREAS, the Authority and the City have entered into a Lease Agreement, dated as of July 1, 2021 (the "Lease"), whereby the Authority has agreed to lease the Leased Property to the City; and

WHEREAS, under and pursuant to the Lease, the City is obligated to make 2021A Base Rental Payments (as defined herein) to the Authority for the sublease of the Leased Property; and

WHEREAS, as security for its obligations hereunder, the Authority has assigned without recourse all its rights to receive the 2021A Base Rental Payments scheduled to be paid by the City under and pursuant to the Lease and certain other rights to the Trustee pursuant to this Indenture; and

WHEREAS, to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to secure the payment of the principal of and the interest and premium (if any) on all Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture and of any Supplemental Indenture and of the Bonds and of any certificate, opinion, request or other document herein mentioned have the meanings herein specified.

“Act” means Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

“Additional Rental Payments” means the additional rental payable by the City under and pursuant to Section 3(b) of the Lease.

“Assignment Agreement” means that certain 2021A Assignment Agreement, dated as of July 1, 2021, by and between the Authority and the Trustee.

“Authority” means the Redondo Beach Community Financing Authority, a joint powers authority duly organized and existing under the Joint Exercise of Powers Agreement and the laws of the State.

“Authority Commission” means the governing body of the Authority.

“Authorized Denominations” means \$5,000 or any integral multiple thereof.

“Bond Counsel” means (a) Norton Rose Fulbright US LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally recognized experience.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584) and Sections 53570 *et seq.* and 53580 *et seq.* of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

“Bond Year” means each twelve-month period extending from May 2 in one calendar year to May 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and shall end on May 1, 2022.

“Bonds” means the Authority’s Lease Revenue Bonds, Series 2021A (Federally Taxable).

“Business Day” means a day other than (i) a Saturday or Sunday, (ii) a day on which the commercial banks in the city in which the Trustee maintains its Trust Office are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

“Certificate of the Authority” means a certificate in writing signed by the Chair of the Authority or by any other officer of the Authority duly authorized by the Chair or any other officer of the Authority duly authorized for that purpose, as evidenced in writing to the Trustee.

“Certificate of the City” means a certificate in writing signed by the City Manager of the City or by any other officer of the City duly authorized for that purpose, as evidenced in writing to the Trustee.

“City” means the City of Redondo Beach, California.

“Closing Date” means July [15], 2021, being the date of delivery of the Bonds to the Original Purchaser thereof.

“Code” means the Internal Revenue Code of 1986.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority and

the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses (including fees and expenses of Bond Counsel and Disclosure Counsel), filing and recording costs, rating agency fees, costs of preparation and reproduction of documents, costs of printing and fees and costs for any guaranty, surety bond, letter of credit or other credit facility.

“Defeasance Securities” means (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively.

“Depository” means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the Authority discontinues use of the Depository pursuant to Section 2.13 hereof, any other securities depository which agrees to follow the procedures requested to be followed by a securities depository in connection with the Bonds and which is selected by the Authority.

“Depository Participant” means a member of, or participant in, the Depository.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” means any of the events described in Section 8.01.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Indenture” means this Indenture, dated as of July 1, 2021, as originally executed or as it may from time to time be amended or supplemented in accordance herewith.

“Independent Certified Public Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom:

- (a) is in fact independent and not under domination of the Authority or the City;
 - (b) does not have any substantial interest, direct or indirect, in the Authority or the City;
- and
- (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at <http://emma.msrb.org>; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called Bonds as the Authority may designate in writing to the Trustee.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.05.

“Interest Payment Date” means May 1 and November 1 of each year, commencing [November 1, 2021].

“Joint Exercise of Powers Agreement” means that certain Joint Exercise of Powers Agreement, dated July 2, 2012, entered into under the Act by the City of Redondo Beach and the Redondo Beach Parking Authority, together with any amendments thereof and supplements thereto.

“Lease” means that certain Lease Agreement, dated as of July 1, 2021, by and between the Authority as lessor and the City as lessee, as it may be further amended or modified.

“Lease Revenue Fund” means the fund by that name established and held by the Trustee pursuant to Section 4.02.

“Leased Property” means, collectively, those certain parcels of real property, together with the improvements thereon, leased by the Authority to the City pursuant to the Lease, as more fully described in Exhibit A to the Lease, as such Exhibit A may be revised and amended from time to time pursuant to the terms hereof and of the Lease.

“Maximum Annual Debt Service” in respect of any Bond Year means the largest of the sums obtained for that or any succeeding Bond Year after totaling the following for each such Bond Year:

(a) The principal amount of all Outstanding Bonds maturing or required to be redeemed by mandatory sinking account redemption in such Bond Year; and

(b) The interest that would be due during such Bond Year on the aggregate principal amount of Bonds which would be Outstanding in such Bond Year if the Bonds Outstanding on the date of such computation were to mature or be redeemed in accordance with the applicable maturity or mandatory sinking account redemption schedule. At the time and for the purpose of making such computation, the amount of Bonds already retired in advance of the above mentioned schedule or schedules shall be deducted pro rata from the remaining amounts thereon.

“Moody’s” means Moody’s Investors Service, and its successors and assigns.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant hereto.

“Original Purchaser” means, collectively, Stifel, Nicolaus & Company Incorporated and Samuel A. Ramirez & Co., Inc.

“Outstanding,” when used as of any particular time with reference to Bonds and Additional Bonds, means (subject to the provisions of Section 10.07) all Bonds theretofore executed, issued and delivered by the Authority under this Indenture except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of Section 10.03; and
- (c) Bonds in lieu of which or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to this Indenture or any Supplemental Indenture.

“Owner” when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely on a Request of the Authority directing investment in such Permitted Investment as a certification by the Authority to the Trustee that such Permitted Investment is a legal investment under the laws of the State), but only to the extent that the same are acquired at fair market value:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause such as Stripped Treasury Coupons rated or assessed in the highest rating category by S&P and Moody’s and held by a custodian for safekeeping on behalf of holders of such securities.

(b) Bonds or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depository and which are rated the same rating as direct obligations of the United States of America by S&P and Moody’s.

(c) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmer’s Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; provided that with respect to the funds and accounts established under this Indenture, such obligations shall at no time exceed an amount equal to ten percent (10%) of the aggregate principal amount of the Bonds Outstanding.

(d) Deposit accounts, including time deposits, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, certificates of

deposit (including those placed by a third party pursuant to an agreement between the Trustee and the Authority) or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are rated no lower than A-1 by S&P and P-1 by Moody's including those of the Trustee and its affiliates.

(e) Federal funds or banker's acceptances with a maximum term of one year of any bank that (i) has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" by Moody's and "A-1" or "A" or better by S&P (including the Trustee and its affiliates) or (ii) is insured by the FDIC.

(f) Repurchase or reverse repurchase obligations (including those of the Trustee or any of its affiliates) with a term not exceeding 30 days pursuant to a written agreement between the Trustee and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the SIPC or a federally chartered commercial bank whose long-term debt obligations are rated A or better by S&P and Moody's, with respect to any security described in clause (1); provided that the securities which are the subject of such repurchase obligation (i) must be free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, (iii) must be deposited with the Trustee and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest; and further provided that the Trustee must have a valid first perfected security interest in such securities.

(g) Taxable government money market portfolios that have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's, subject to a maximum permissible limit equal to six months of principal and interest on the Bonds including portfolios of the Trustee and its affiliates.

(h) Tax-exempt government money market portfolios that have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's consisting of securities which are rated in the highest Rating Categories of S&P and Moody's subject to a maximum permissible limit equal to six months of principal and interest on the Bonds.

(i) Money market mutual funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of AA-Am-G or AA-Am and rated in one of the two highest Rating Categories of Moody's, including those managed or advised by the Trustee or its affiliates or for which the Trustee or an affiliate of the Trustee serves as administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

(j) Commercial paper having, at the time of investment or contractual commitment to invest therein, a rating from Moody's and S&P, of A1 and P1, respectively.

(k) The Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(l) Investment agreements, including guaranteed investment contracts (“GICs”) forward purchase agreements and reserve fund put agreements with banks or other financial institutions rated, or guaranteed by institutions rated, or with senior unsecured debt rated, by S&P or Moody’s, in one of the three highest rating categories assigned by such agencies.

(m) The California Investment Trust managed by The California Investment Trust Retirement Plan Group.

(n) Any other investments which meet the criteria established by applicable published investment guidelines issued by each rating agency then rating the Bonds.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

“Registration Books” means the records maintained by the Trustee pursuant to Section 2.09 for the registration and transfer of ownership of the Bonds.

“Rental Payments” means, collectively, the 2021A Base Rental Payments and any Additional Rental Payments.

“Request of the Authority” means a request in writing signed by the Chair or Executive Director of the Authority or by any other officer of the Authority duly authorized by the Chair or by the Authority Commission for that purpose, as evidenced in writing to the Trustee.

“Request of the City” means a request in writing signed by the Mayor or the City Manager or by any other officer of the City duly authorized for that purpose by the Mayor or City Manager or by the City Council, as evidenced in writing to the Trustee.

“Responsible Officer” means any member of the Authority Commission or any other person authorized by resolution of the Authority Commission to act on behalf of the Authority under or with respect to the Lease or this Indenture.

“Revenues” means (i) all Base Rental Payments payable by the City pursuant to the Lease (including prepayments), (ii) any proceeds of Bonds deposited with the Trustee and all moneys on deposit in the funds and accounts established hereunder, (iii) investment income with respect to such moneys held by the Trustee and (iv) any insurance proceeds or condemnation awards received by or payable to the Trustee relating to the Base Rental Payments.

“S&P” means S&P Global Ratings, and its successors and assigns.

“Securities Depositories” means The Depository Trust Company, New York, New York and its successors and assigns or if (i) the then Securities Depository resigns from its functions as depository of the Bonds or (ii) the Authority discontinues use of the then Securities Depository

pursuant to Section 2.13, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Authority.

“Site Lease” means that certain Site and Facility Lease, dated as of July 1, 2021, by and between the City and the Authority, pursuant to which the Authority leases the Leased Property from the City.

“State” means the State of California.

“Supplemental Indenture” means any agreement supplemental to or amendatory of this Indenture entered into in accordance with the provisions of Article VII.

“Trust Office” means the corporate trust office of the Trustee in Los Angeles, California or such other offices as may be specified to the Authority by the Trustee in writing or, solely for purposes of the surrender of the Bonds for payment, transfer or exchange, the corporate trust operations or agency office designated by the Trustee.

“Trustee” means U.S. Bank National Association, and its successors and assigns, and any other banking corporation or association that may at any time be substituted in its place as provided in Article VI hereof.

“Written Request of the Authority” means a request in writing signed by a Responsible Officer.

“2021A Base Rental Payments” means all 2021A Base Rental Payments under the Lease.

“2021A Bonds” means the Redondo Beach Community Financing Authority Lease Revenue Bonds, Series 2021A.

“2021A Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.03.

“2021A Interest Account” means the account by that name established and held by the Trustee pursuant to Section 4.02(a).

SECTION 1.02. Rules of Construction. All references in this Indenture to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words “herein,” “hereof,” “hereunder,” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 1.03. Authorization and Purpose of Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the 2021A Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions, and acts required by law to exist, to happen and to be performed precedent to and in the issuance of the 2021A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized under the Joint Exercise of Powers Agreement and the Bond Law and each and every requirement of law, to issue the 2021A Bonds

in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the 2021A Bonds pursuant to the Bond Law and this Indenture for the purpose described in the recitals hereof.

SECTION 1.04. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

ARTICLE II ISSUANCE OF 2021A BONDS

SECTION 2.01. Designation. The 2021A Bonds are authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture and shall be designated, respectively, as the “Redondo Beach Community Financing Authority Lease Revenue Bonds, Series 2021A (Federally Taxable).” The 2021A Bonds shall be issued in the original aggregate principal amount of \$[Par Amount].

SECTION 2.02. Terms of 2021A Bonds. The 2021A Bonds shall be dated the Closing Date, shall mature on the dates and in the amounts, and shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) at the rates, set forth in the following table:

Maturity Date (May 1)	<u>Principal Amount</u>	<u>Interest Rate</u>
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The 2021A Bonds shall be delivered in fully registered form, numbered from one upwards in consecutive numerical order (with such alphabetical prefix as shall be determined). The 2021A Bonds shall be executed and delivered in their respective Authorized Denominations.

Each 2021A Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated during the period from the day after the Record Date for an Interest Payment Date to and including such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on or prior to the Record Date for the first Interest Payment Date, in which event it shall bear interest from the

Closing Date; provided, however, that if, at the time of authentication of any 2021A Bond interest with respect to such 2021A Bond is in default, such 2021A Bond shall bear interest from the Interest Payment Date to which interest has been paid or made available for payment with respect to such 2021A Bond.

Interest with respect to any 2021A Bond shall be payable in lawful money of the United States of America on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date, such interest to be paid by check of the Trustee, mailed by first class mail no later than the Interest Payment Date to the Owner at his address as it appears, on such Record Date, on the Registration Books maintained by the Trustee; *provided, however*, that at the written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding 2021A Bonds filed with the Trustee prior to any Record Date, interest on such 2021A Bonds shall be paid to such Owner on each succeeding Interest Payment Date (unless such request has been revoked in writing) by wire transfer of immediately available funds to an account in the United States designated in such written request. Payments of defaulted interest with respect to the 2021A Bonds shall be paid by check or draft to the registered Owners of the 2021A Bonds as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the registered Owners of the 2021A Bonds not less than ten days prior thereto. The principal of and premium, if any, on the 2021A Bonds are payable by check when due upon surrender thereof at the Trust Office in lawful money of the United States of America.

SECTION 2.03. Redemption of Bonds.

(a) Extraordinary Redemption. The 2021A Bonds are subject to redemption prior to their respective maturity dates, upon notice as hereinafter provided, as a whole or in part on any date, from prepayments of 2021A Base Rental Payments made by the City pursuant to the Lease from funds received by the City due to a taking of the Leased Property or any portion thereof under the power of eminent domain or from insurance proceeds received by the City due to damage to or destruction of the Leased Property or any portion thereof, under the circumstances and upon the conditions and terms prescribed herein and in the Lease. Redemption of 2021A Bonds pursuant to this subparagraph (a) shall be made at a redemption price equal to the sum of the principal of the 2021A Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

(b) 2021A Bonds Optional Redemption from Prepayments of 2021A Base Rental Payments. The 2021A Bonds maturing on or after May 1, 20__ shall be subject to redemption prior to their respective maturity dates as a whole or in part on any date on or after May 1, 20__, in any order deemed reasonable by the Authority, and by lot within a maturity, from prepayments of 2021A Base Rental Payments made at the option of the City pursuant to Section 11(b) of the Lease, at a redemption price equal to the principal amount of the 2021A Bonds to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

(c) Mandatory Sinking Account Redemption. The Series 2021A Term Bond maturing on May 1, 20__ is subject to mandatory redemption, in part by lot, from sinking account payments set forth in the following schedule commencing May 1, 20__, and on May 1 in each year thereafter to and including May 1, 20__ at a redemption price equal to the principal amount thereof to be

redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

Redemption Date
(May 1)

Principal Amount
To be Redeemed

* Maturity.

The Series 2021A Term Bond maturing on May 1, 20__ is subject to mandatory redemption, in part by lot, from sinking account payments set forth in the following schedule commencing May 1, 20__, and on May 1 in each year thereafter to and including May 1, 2039 at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

Redemption Date
(May 1)

Principal Amount
To be Redeemed

* Maturity.

The Series 2021A Term Bond maturing on May 1, 20__ is subject to mandatory redemption, in part by lot, from sinking account payments set forth in the following schedule commencing May 1, 20__, and on May 1 in each year thereafter to and including May 1, 20__ at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

Redemption Date
(May 1)

Principal Amount
To be Redeemed

* Maturity.

If some but not all of a Series 2021A Term Bond has been redeemed pursuant to extraordinary or optional redemptions, the total amount of sinking account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of such Series 2021A Term Bond so redeemed by reducing each such future sinking account payment on a *pro rata* basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by Authority with the Trustee. In the event of any reductions in the amount of sinking account payments due as a result of some but not all of the Bonds being

redeemed pursuant to extraordinary or optional redemptions, the Authority shall provide the Trustee with a revised schedule reflecting such reductions.

(d) Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall send (by first class mail or other means acceptable to the recipient thereof) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least twenty (20) but not more than sixty (60) days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

Any notice given pursuant to this Section 2.03 may be conditional and/or rescinded by written notice given to the Trustee by the Authority and the Trustee shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given pursuant to this Section.

(e) Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption, in such maturities as the Authority shall designate (and by lot within any maturity). For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 portions and such portions shall be treated as separate Bonds, which may be separately redeemed.

(f) Partial Redemption of Bonds. If only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds, interest rate and maturity date, in aggregate principal amount equal to the unredeemed portion of the Bond being redeemed.

(g) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, premium, if any, and interest on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date. All Bonds redeemed pursuant to this Section 2.03 shall be canceled by the Trustee. All moneys held by or on behalf of the Trustee for the payment of principal of or interest or premium on Bonds, whether at redemption

or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

SECTION 2.04. Form of 2021A Bonds. The 2021A Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

SECTION 2.05. Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signature of its Chair, and attested with the manual or facsimile signature of its Secretary or any Assistant Secretary duly appointed by the Authority Commission, and shall be delivered to the Trustee for authentication by it. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer. Only such of the Bonds as shall bear thereon a certificate of authentication, manually executed on behalf of the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon presentation and surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, interest rate, maturity and aggregate principal amount in Authorized Denominations. The cost of printing any Bonds and any services rendered or expenses incurred by the Trustee in connection with any such transfer shall be paid by the Authority, except that the Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee shall not be required to transfer, pursuant to this Section, (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bond selected for redemption pursuant to Section 2.03(e).

SECTION 2.07. Exchange of Bonds. Bonds may be exchanged at the Trust Office of the Trustee for the same aggregate principal amount of Bonds of the same tenor, interest rate, and maturity and of other Authorized Denominations. The cost of printing any Bonds and any services rendered or expenses incurred by the Trustee in connection with any such exchange shall be paid by the Authority, except that the Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such

exchange. The Trustee shall not be required to exchange, pursuant to this Section, (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bond selected for redemption pursuant to Section 2.03(e).

SECTION 2.08. Temporary Bonds. The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange therefor at the Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds definitive Bonds of like tenor, maturity and aggregate principal amount in Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.09. Registration Books. The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which shall at all times during regular business hours be open to inspection by the Authority with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on said records, Bonds as herein provided.

SECTION 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor, maturity and aggregate principal amount in an Authorized Denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence shall be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Authority may require payment of a reasonable fee for each new Bond issued under this Section and of the expenses that may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

SECTION 2.11. Book-Entry System; Limited Obligation. The Bonds shall be initially executed, authenticated and delivered in the form of a separate single fully registered Bond (which

may be typewritten) for each of the maturities of the Bonds. Upon initial execution, authentication and delivery, the ownership of each such Bond shall be registered in the Bond Register in the name of the Nominee as nominee of the Depository. Except as provided in Section 2.13 hereof, all of the Outstanding Bonds shall be registered in the Bond Register kept by the Trustee in the name of the Nominee and the Bonds may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or of a successor Depository. Each Bond shall bear a legend substantially to the following effect: "UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

With respect to Bonds registered in the Bond Register in the name of the Nominee, the Authority and the Trustee shall have no responsibility or obligation to any Depository Participant or to any person on behalf of which such a Depository Participant holds a beneficial interest in the Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Depository, the Nominee or any Depository Participant with respect to any beneficial ownership interest in the Bonds, (b) the delivery to any Depository Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any Redemption Notice, (c) the selection by the Depository and the Depository Participants of the beneficial interests in the Bonds to be redeemed in part, or (d) the payment to any Depository Participant, beneficial owner or any other person, other than the Depository, of any amount with respect to principal of, interest on, or premium, if any, of the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute Owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on, the Bond, for the purpose of giving Redemption Notices with respect to the Bonds and other notices with respect to the Bonds, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Bonds.

The Trustee shall pay all principal of, premium, if any, and interest on, the Bonds only to or upon the order of the respective Bond Owners, as shown in the Bond Register kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid hereunder with respect to payment of principal of, premium, if any, and interest on, the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner, as shown in the Bond Register, shall receive a Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on, such Bond pursuant to this Indenture. Upon delivery by the Depository to the Trustee and the Authority of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such new nominee of the Depository.

SECTION 2.12. Representation Letter. To qualify the Bonds for the Depository's book-entry system, the Authority has previously authorized executed, countersigned and delivered to such Depository a letter from the Authority representing such matters as shall be necessary to so qualify the Bonds (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.11 hereof or in any other way impose upon the Authority or the City any obligation whatsoever with respect to persons having beneficial interests in the Bonds other than the Owners, as shown in the Bond Register kept by the Trustee. In the written acceptance by the Trustee of the Representation Letter, the Trustee shall agree, and hereby agrees, to take all actions necessary for all representations of the Trustee in the Representation Letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of the Representation Letter, the Authority Representative and all other officers of the Authority, and their respective deputies and designees, each is hereby authorized to take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

SECTION 2.13. Transfers Outside Book-Entry System. If at any time the Depository notifies the Authority that it is unwilling or unable to continue as Depository with respect to the Bonds or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, Section 2.11 hereof shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver Bonds as provided below. In addition, the Authority may determine at any time that the Bonds shall no longer be represented by global bonds and that the provisions of Section 2.11 hereof shall no longer apply to the Bonds. In any such event the Authority shall execute and the Trustee shall authenticate and deliver Bonds as provided below. Bonds executed, authenticated and delivered in exchange for global bonds pursuant to this Section 2.13 shall be registered in such names and delivered in such Authorized Denominations as the Depository, pursuant to instructions from the Depository Participants or otherwise, shall instruct the Authority and the Trustee. The Trustee shall deliver such Bonds to the persons in whose names such Bonds are so registered. If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or cause to be prepared a new fully-registered global bond for each of the maturities of the Bonds, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the Authority, the Trustee and such securities depository and not inconsistent with the terms of this Indenture.

SECTION 2.14. Payments and Notices to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments of principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

SECTION 2.15. Initial Depository and Nominee. The initial Depository under this Indenture shall be DTC. The initial Nominee shall be Cede & Co., as nominee of DTC.

ARTICLE III
DEPOSIT AND APPLICATION OF PROCEEDS

SECTION 3.01. Issuance of 2021A Bonds. Upon the execution and delivery of this Indenture, the Authority shall execute and deliver the 2021A Bonds to the Trustee for authentication and delivery to the original purchaser thereof upon the Request of the Authority.

SECTION 3.02. Application of Proceeds of Sale of 2021A Bonds. Upon the receipt of payment for the 2021A Bonds on the Closing Date, the Trustee shall apply \$_____ of the net proceeds of the sale of the 2021A Bonds (representing the principal amount of the 2021A Bonds of \$[Par Amount].00, [less an original issue discount of \$_____,] less an underwriter's discount of \$_____), as follows:

(1) The Trustee shall transfer to CalPERS \$_____, pursuant to a Written Request of the Authority dated the Closing Date;

(2) The Trustee shall deposit in the Series 2021A Costs of Issuance Fund the amount of \$_____.

[include capitalized interest deposit, if applicable]

The Trustee may establish such temporary funds, accounts and subaccounts as may be necessary or desirable to accomplish such deposits and transfer.

SECTION 3.03. Costs of Issuance Fund. There is hereby established a fund to be held by the Trustee known as the "Series 2021A Costs of Issuance Fund," into which shall be deposited a portion of the proceeds of the sale of the 2021A Bonds pursuant to Section 3.02. The moneys in the Series 2021A Costs of Issuance Fund shall be used to pay Costs of Issuance related to the 2021A Bonds from time to time and shall be disbursed by the Trustee upon delivery to the Trustee of a requisition, substantially in the form attached hereto as Exhibit B, executed by an officer of the Authority. On the date that is 180 days following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority certifying that all Costs of Issuance related to the 2021A Bonds have been paid or provided for, the Trustee shall transfer any remaining amounts in the Series 2021A Costs of Issuance Fund to the Lease Revenue Fund and the Trustee shall then close the Series 2021A Costs of Issuance Fund.

SECTION 3.04. Reserved.

SECTION 3.05. Insurance and Condemnation Fund. The Trustee shall establish and maintain a separate fund to be known as the "Insurance and Condemnation Fund," into which shall be deposited Net Proceeds required to be deposited therein pursuant to Section 9 of the Lease. The Trustee shall disburse or transfer all amounts in the Insurance and Condemnation Fund, as stated in a Request of the City (as described below) for the payment of the cost of the reconstruction of the Leased Property (including reimbursement to the City for any such costs paid by it). Before any payment of money is made from the Insurance and Condemnation Fund, the Authority shall file or shall cause the City to file with the Trustee a requisition in substantially the form set forth as Exhibit C hereto.

SECTION 3.06. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken with respect to the application of the proceeds of the Bonds, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV REVENUES; FLOW OF FUNDS

SECTION 4.01. Pledge of Revenues; Assignment of Rights. Subject to the provisions of Section 6.03, the Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent hereinafter provided) of all of the Revenues, including all of the moneys in the 2021A Interest Account and the 2021A Principal Account, including all amounts derived from the investment of such moneys. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such moneys without priority for number, date of the Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any portion thereof shall be and are secured by an exclusive pledge, charge and lien upon the Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues and such moneys shall not be used for any other purpose; except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by Section 4.02.

The Authority hereby transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest (but none of the obligations) of the Authority in the Lease with respect to the Revenues, including its rights to receive the Base Rental Payments scheduled to be paid by the City under and pursuant to the Lease and any and all of the other rights of the Authority under the Lease as may be necessary to enforce payment of such Base Rental Payments when due or otherwise to protect the interest of the Owners of the Bonds, including its leasehold title to the Leased Property leased to the City pursuant to the Lease with respect to the Base Rental Payments. The Trustee accepts such assignments. The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Each of the Authority and the City covenant and agree to take such action as is necessary from time to time to preserve the priority of the pledge set forth in this Section 4.01 under applicable law, and at the expense of the Authority or the City and the Trustee shall cooperate with the Authority and/or the City in taking such action.

SECTION 4.02. Lease Revenue Fund; Receipt, Deposit and Application of Revenues. All Revenues shall be deposited by the Trustee in a special fund designated as the "Lease Revenue Fund," which the Trustee shall establish, maintain and hold in trust hereunder. In the event the City pays more than 100% of the Base Rental Payments coming due 15 days prior to any Interest Payment Date, the Trustee shall deposit into the Lease Revenue Fund only that portion

of the Base Rental Payments which the City is required to make under Section 3(a) of the Lease, and shall remit any excess to the City.

On or before each Interest Payment Date, the Trustee shall transfer from the Lease Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Lease Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) **2021A Interest Account.** The Trustee shall establish and maintain a separate account to be known as the "Series 2021A Interest Account." On or before each Interest Payment Date, the Trustee shall, from amounts available in the Lease Revenue Fund, deposit in the Series 2021A Interest Account an amount required to cause the aggregate amount on deposit in the Series 2021A Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all respective Outstanding 2021A Bonds. No deposit shall be made into the Series 2021A Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all respective Outstanding 2021A Bonds on each succeeding Interest Payment Date within the then current Bond Year. All moneys in the Series 2021A Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2021A Bonds as it shall become due and payable (including accrued interest on any 2021A Bonds redeemed prior to maturity).

(b) **2021A Principal Account.** The Trustee shall establish and maintain a separate account to be known as the "Series 2021A Principal Account." On or before each Interest Payment Date, the Trustee shall, from amounts available in the Lease Revenue Fund, deposit in the Series 2021A Principal Account an amount required to cause the aggregate amount on deposit in the Series 2021A Principal Account to equal the principal amount of the 2021A Bonds maturing on such Interest Payment Date pursuant to Section 2.02 or Section 2.03 or pursuant to a Supplemental Indenture, as the case may be. All moneys in the Series 2021A Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the 2021A Bonds.

(c) **Surplus.** On or before May 1 and November 1 of each year the Trustee shall determine the Revenues, if any, remaining in the Lease Revenue Fund after making the deposits required by paragraphs (a) and (b) above, and shall apply such amount as a credit against the next following Base Rental Payment.

SECTION 4.03. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments pursuant to the written direction of the Authority given to the Trustee two Business Days in advance of the making of such investments. In the absence of any such direction from the Authority, the Trustee shall invest any such moneys in money market funds described in subsection g of the definition of Permitted Investments; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction of the Authority specifying a specific money market fund that satisfies the requirements of said subsection in which such investment is to be made and, if no

such written direction is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account.

The Trustee shall transfer all investment earnings on amounts in a Principal Account and an Interest Account to the Lease Revenue Fund. All investment earnings on amounts in the Insurance and Condemnation Fund shall be retained therein. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee, or any of its affiliates, may act as principal or agent in the acquisition of any investment and may impose its customary charges therefor. The Trustee may act as manager, sponsor, advisor or depository with respect to any Permitted Investment. The Trustee shall incur no liability for the selection (other than as provided herein) of investments or losses arising from any investments made pursuant to this Section. The Authority acknowledges that regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of security transactions to be effected by the Trustee hereunder as they occur, at no additional cost. The Authority specifically waives the right to receive such confirmation to the extent permitted by applicable law and agrees that it will instead receive periodic cash transaction statements which shall include detail for the investment transactions effected by the Trustee hereunder; provided, however, that the Authority retains its right to receive brokerage confirmation on any investment transaction requested by the Authority.

SECTION 4.04. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account, Permitted Investments credited to such fund or account shall be valued at least semiannually on or before each Interest Payment Date at cost (excluding any brokerage commissions and excluding any accrued interest) by the Authority.

ARTICLE V COVENANTS OF THE AUTHORITY

SECTION 5.01. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of applicable Revenues and other assets pledged for such payment as provided in this Indenture.

SECTION 5.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended.

SECTION 5.03. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the applicable Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture and Supplemental Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

SECTION 5.04. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues, the Lease and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee (subject to the provisions of Section 6.02 hereof) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 5.05. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions by the Trustee relating to the proceeds of Bonds, the Revenues, the Lease and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority and the City during regular business hours with reasonable prior notice.

SECTION 5.06. No Additional Obligations. The Authority covenants that no additional bonds, notes or indebtedness shall be issued or incurred that are payable out of the Revenues in whole or in part.

SECTION 5.07. Lease. The Trustee, as assignee of the Authority's rights under the Lease with respect to the Revenues pursuant to Section 4.01 hereof and the Assignment Agreement(s), shall receive amounts due from the City pursuant to the Lease with respect to the Revenues. The Authority will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Lease required to be complied with, kept, observed and performed by it and, together with the Trustee, will enforce the Lease against the City in accordance with its terms. So long as any Bond remain Outstanding, the Authority will not alter, amend or modify the Lease, except pursuant to Section 21 thereof.

SECTION 5.08. Further Assurances. The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

ARTICLE VI THE TRUSTEE

SECTION 6.01. Appointment of Trustee. U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority agrees that it will maintain a Trustee which has (or which is a wholly-owned subsidiary of a corporation which has) a combined capital and surplus of at least \$75,000,000, and which is subject to supervision or examination by Federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company or such parent corporation publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section 6.01 the combined capital and surplus of such bank or trust company or such parent corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the principal of and interest and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds and accounts administered by it and of all Bonds paid and discharged.

SECTION 6.02. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(b) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a Certificate of the Authority.

(c) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Owners pursuant to this Indenture, unless such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(d) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document.

(e) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no covenants of or against the

Trustee shall be implied in this Indenture. In case an Event of Default hereunder or under the Lease has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by this Indenture and by the Lease, and shall use the same degree of care and skill in the exercise of such rights and powers as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(f) The Trustee may execute any of the trusts or powers hereunder and perform the duties required of it hereunder either directly or by or through attorneys, receivers or agents, shall not be liable for the acts or omissions of such attorneys, receivers or agents appointed with due care, and shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder. The Trustee may conclusively rely on an opinion of counsel as full and complete authorization and protection for any action taken, suffered or omitted by it hereunder.

(g) The Trustee shall not be responsible for any recital herein, in the Lease, or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby and makes no representation as to the validity or sufficiency of the Bonds, this Indenture or the Lease. The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder or on the part of the Authority or the City under the Lease. The Trustee shall not be responsible for the application of the proceeds of the Bonds paid over by it to the Authority in accordance with Section 10.03 hereof.

(h) The Trustee may become the Owner or pledgee of Bonds secured hereby with the same rights it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(i) The Trustee may rely and shall be protected in acting or refraining from acting, in good faith and without negligence, upon any notice, resolution, opinion, report, direction, request, requisition, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and to have been signed or presented by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to this Indenture or the Lease upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected on the Registration Books.

(j) The permissive right of the Trustee to do things enumerated in this Indenture or in the Lease shall not be construed as a duty and it shall not be answerable for other than its negligence or willful default. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(k) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder or under the Lease except failure by the Authority or the City to make any of the payments to the Trustee required to be made by the Authority pursuant hereto or thereto or failure by the Authority or the City to file with the Trustee any document required by this Indenture or the Lease to be so filed subsequent to the issuance of the Bonds by a certain date, unless the Trustee shall be specifically notified in writing of such default by the Authority or by the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid.

(l) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right but shall not be required to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records which are not privileged by statute or by law.

(m) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises hereof.

(n) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.

(o) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(p) Whether or not expressly provided therein, every provision of this Indenture, the Site Lease and the Lease relating to the conduct or affecting the liability of the Trustee shall be subject to the provisions of this Section.

(q) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(r) The Trustee is authorized and directed to enter into the Assignment Agreement in its capacity as Trustee.

(s) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced

whenever a person is to be added or deleted from the listing. If the Authority or the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority and the City agree: (i) to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties; other than in the event of the Trustee's own negligence or willful misconduct; (ii) that they are fully informed of the protections and risks associated with the various methods of transmitting instructions to the Trustee and that there may be more secure methods of transmitting instructions than the method(s) selected by the Authority or the City; and (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions provide to them a commercially reasonable degree of protection in light of its particular needs and circumstances.

SECTION 6.03. Fees, Charges and Expenses of Trustee. The Trustee shall be paid and reimbursed by the Authority for reasonable fees for its services rendered hereunder and all advances (with interest on such advances at the maximum rate allowed by law), counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

SECTION 6.04. Notice to Bond Owners of Default. If an Event of Default hereunder or under the Lease occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in Section 6.02(k) hereof, then the Trustee shall, within 30 days of the receipt of such notice, give written notice thereof by first class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; *provided, however*, that unless such Event of Default consists of the failure by the Authority to make any payment when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

SECTION 6.05. Intervention by Trustee. In any judicial proceeding to which the Authority or the City is a party that, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 6.02(c), shall do so if requested in writing by the Owners of at least 25% in aggregate principal amount of such Bonds then Outstanding.

SECTION 6.06. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee and signed by the Owners

of a majority in aggregate principal amount of the Outstanding Bonds. The Authority may also remove the Trustee at any time upon 30 days' notice, except during the existence of an Event of Default. The Trustee may be removed at any time for any breach of the Trustee's duties set forth herein.

SECTION 6.07. Resignation by Trustee. The Trustee and any successor Trustee may at any time give written notice of its intention to resign as Trustee hereunder, such notice to be given to the Authority and the City by registered or certified mail. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Registration Books.

SECTION 6.08. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 6.06 or 6.07, respectively, the Authority shall promptly appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within 60 days following the delivery to the Trustee of the instrument described in Section 6.06 or within 60 days following the receipt of notice by the Authority pursuant to Section 6.07, the Trustee may, at the expense of the Authority, apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.01. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such 60-day period.

SECTION 6.09. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in Section 6.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 6.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Request of the Authority, or of the Trustee's successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

SECTION 6.11. Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action that may be desirable or necessary in connection therewith, it may be necessary that the Trustee or the Authority appoint an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section are adopted to these ends.

If the Trustee or the Authority appoints an additional individual or institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate trustee or co-trustee but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, shall resign or shall be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

SECTION 6.12. Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees, to the extent permitted by law, to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense, action, suit, claim, judgment and liabilities arising out of or in the exercise and performance of its powers and duties hereunder and under the Site Lease and the Lease, including the costs and expenses of defending against any claim of liability and fees and expenses of its attorneys, but excluding any and all losses, expenses and liabilities that are due to the negligent or willful misconduct of the Trustee, its officers, directors or employees. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of at least 25% in aggregate principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture or exercising any power conferred upon the Trustee under this Indenture. The obligations of the Authority under this Section shall survive the termination of this Indenture and the resignation or removal of the Trustee under this Indenture.

ARTICLE VII MODIFICATION AND AMENDMENT OF THE INDENTURE

SECTION 7.01. Amendment. This Indenture and the rights and obligations of the Authority and the Owners may be modified or amended at any time by a Supplemental Indenture, which shall become binding to the extent permitted by law upon adoption, without consent of any Owner, but only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers herein reserved to or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners;

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable; or

(c) for any other purpose that does not materially adversely affect the interests of the Owners.

Except as set forth in the preceding paragraph of this Section, this Indenture and the rights and obligations of the Authority and of the Owners may only be modified or amended at any time by a Supplemental Indenture, which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the affected Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) modify any of the rights or obligations of the Trustee without its written consent thereto.

SECTION 7.02. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Outstanding Bonds, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes. Prior to entering into any Supplemental Indenture pursuant to this Section, the Authority shall deliver to the Trustee an opinion of Bond Counsel to the effect that such Supplemental Indenture has been adopted in accordance with the requirements of this Indenture.

SECTION 7.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds shall bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner at such effective date and presentation of such

Bond for that purpose at the Trust Office of the Trustee, a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such Owners' action shall be prepared and executed, and in that case upon demand of the Owner at such effective date such new Bonds shall be exchanged at the Trust Office of the Trustee, without cost to each Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

SECTION 8.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of or premium on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, or by proceedings for redemption.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than 50% in aggregate principal amount of the Outstanding Bonds; provided, that if such default is such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected, which period shall not be longer than sixty (60) days from the date of written notice specifying the failure.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the Federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

(e) Default under Section 10 of the Lease and such default shall not have been remedied within any applicable grace period thereunder.

SECTION 8.02. Remedies; No Acceleration. Upon the occurrence of an Event of Default the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or any member, officer or employee thereof, to compel the Authority or any such member, officer or employee to perform and carry out its or his or her duties under

law and the agreements and covenants required to be performed by it or him contained herein or in the Lease;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of an Event of Default to require the Authority and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of a majority in aggregate principal amount of Outstanding Bonds and indemnified as provided in Section 6.02(c), the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver or any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

The Trustee shall have no right to declare the principal of or interest on the Bonds to be due and payable immediately.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

SECTION 8.03. Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee in the following order of priority:

First, to the payment of the fees, costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel;

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, *provided, however*, that if such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

SECTION 8.04. Power of Trustee to Control Proceedings. If the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however*, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation and if the Trustee is indemnified as provided in Section 6.02(c). Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners issued hereunder by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

SECTION 8.05. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 8.06. Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or any Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners, as the case may be.

SECTION 8.07. Rights of Owners. No Owner shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners.

The right of any Owner to receive payment of the principal of and interest and premium (if any) on such Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

SECTION 8.08. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX RESERVED

ARTICLE X MISCELLANEOUS

SECTION 10.01. Limited Liability of Authority. Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Revenues or otherwise from amounts payable under the Lease). The Authority may, however advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and other funds as in this Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premiums (if any) on or principal of the Bonds. The Owners shall never have the right to compel the forfeiture of any property of the Authority except the Revenues and other funds pledged to the payment of the Bonds as provided in this Indenture. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as provided in this Indenture.

SECTION 10.02. Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the City and the Owners, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Trustee, the City and the Owners.

SECTION 10.03. Defeasance; Discharge of Indenture. If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premiums (if any) on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums (if any); or

(c) by irrevocably depositing with the Trustee or an escrow agent, in trust pursuant to an escrow deposit agreement, Defeasance Securities in such amount as an Independent Certified Public Accountant shall determine in a written report acceptable in form and substance to the Authority, and addressed, to the Authority and the Trustee, filed with the Trustee (upon which report the Trustee may conclusively rely) will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates; and

(d) delivering an opinion of Bond Counsel acceptable in form and substance to the Authority, and addressed, to the Authority and the Trustee to the effect that the Bonds are no longer Outstanding under the Indenture, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to Section 2.03(d) or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in this Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under this Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all amounts due the Trustee. Any funds held by the Trustee following any payment or discharge of the Outstanding Bonds pursuant to this Section, which are not required for said purposes, shall after payment of amounts due the Trustee hereunder be paid over to the Authority.

SECTION 10.04. Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture the Authority is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with

respect to the management, administration and control of the affairs of the Authority, that are presently vested in the Authority, and all the covenants, agreements and provisions contained in this Indenture by or on behalf of the Authority shall bind and inure to the benefit of its successors whether so expressed or not.

SECTION 10.05. Content of Certificates and Opinions. Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture except the certificate of destruction pursuant to Section 10.10 shall include (a) a statement that the person or persons making or giving such certificate or opinion have read such covenant or conditions and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the Authority may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the Authority, or upon the certificate or opinion of or representations by an officer or officers of the Authority, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

SECTION 10.06. Execution of Documents by Owners. Any request, consent or other instrument required by this Indenture to be signed and executed by Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Owners in person or by their agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section. The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

The ownership of Bonds shall be proved by the Registration Books. Any request, consent or vote of the Owner shall bind every future Owner with respect to the same Bond and the Owner with respect to any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in pursuance of such request, consent or vote. In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee

may call and hold a meeting of the Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

SECTION 10.07. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, unless all Bonds are then so owned, Bonds that are owned or held by or for the account of the City or the Authority (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, *provided, however*, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee actually knows to be so owned or held shall be disregarded.

SECTION 10.08. Waiver of Personal Liability. No official, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing herein contained shall relieve any such official, officer, agent or employee from the performance of any official duty provided by law.

SECTION 10.09. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Bonds; but the Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law.

SECTION 10.10. Destruction of Canceled Bonds. Whenever in this Indenture provision is made for the surrender of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, the Trustee shall cancel and destroy such Bonds and upon Request of the Authority furnish to the Authority a certificate of such destruction.

SECTION 10.11. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 10.12. Payment on Business Days. Whenever in this Indenture any amount is required to be paid on a day that is not a Business Day, such payment shall be required to be made, without accruing additional interest thereby, on the Business Day immediately following such day.

SECTION 10.13. Notices. All notices, requests and other communications provided for hereunder shall be in electronic, telephonic or written form and shall be given to the party to whom sent, addressed to it, at its address or other address or telephone, number telecopier as such party may hereafter specify for the purpose by notice to the other parties set forth below. Each such notice, request or communication shall be effective (i) if given by telephone, telecopier or other electronic means, when such communication is transmitted to the address specified below and any appropriate answerback or confirmation is received, (ii) if given by certified or registered mail, return receipt requested, on the date of receipt appearing on the return postal receipt for notices given by certified or registered mail, (iii) if given by hand delivery, when delivered at the address specified below:

If to the Authority: Redondo Beach Community Financing Authority
c/of City of Redondo Beach
415 Diamond Street
Redondo Beach, California 90277
Attention: Chair

If to the City: City of Redondo Beach
415 Diamond Street
Redondo Beach, California 90277
Attention: City Manager

If to the Trustee: U.S. Bank National Association
633 W 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust

The Authority and the Trustee may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 10.14. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds that remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall be repaid by the Trustee to the Authority (without liability for interest), as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of such Bonds; *provided, however*, that before being required to make any such payment to the Authority, the Trustee shall, at the written request and expense of the Authority, cause to be mailed to the Owners, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

SECTION 10.15. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of California.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be signed by their respective officers, all as of the day and year first above written.

REDONDO BEACH COMMUNITY
FINANCING AUTHORITY

By _____
William C. Brand, Chair

ATTEST:

By _____
Eleanor Manzano, Secretary

APPROVED AS TO FORM:

By _____
Michael W. Webb, City Attorney

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

EXHIBIT A

[FORM OF BOND]

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. _____

\$ _____

REDONDO BEACH COMMUNITY FINANCING AUTHORITY
LEASE REVENUE BOND
SERIES 2021A

RATE OF INTEREST:

MATURITY DATE:

DATED DATE:

CUSIP:

_____%

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The REDONDO BEACH COMMUNITY FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the Revenues, as defined in the Indenture hereinafter referred to, and certain other moneys) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above or any earlier redemption date, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding such Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to October 15, 2021, in which event it shall bear interest from the Dated Date identified above; provided, however, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on May 1 and November 1 in each year, commencing [November 1, 2021] (the "Interest Payment Dates") until

payment of such Principal Amount in full. The Principal Amount hereof is payable by check or wire upon presentation hereof upon maturity or earlier redemption at the designated corporate trust office (the "Trust Office") of U.S. BANK NATIONAL ASSOCIATION, as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of the Registered Owner as it appears on the registration books of the Trustee as of the fifteenth calendar day of the month preceding such Interest Payment Date (except that in the case of a Registered Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Bonds, such payment may, at such Registered Owner's option, be made by wire transfer of immediately available funds in accordance with written instructions provided by such Registered Owner prior to the fifteenth calendar day of the month preceding such Interest Payment Date).

This Bond is one of a duly authorized issue of bonds of the Authority designated the "Redondo Beach Community Financing Authority Lease Revenue Bonds, Series 2021A" (herein, the "Bonds"), in an aggregate principal amount of \$[Par Amount] issued under an Indenture, dated as of July 1, 2021 (the "Indenture"), by and between the Authority and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the Revenues (as that term is defined in the Indenture), of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder; and all of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner hereof, and to all of the provisions of which Indenture the Registered Owner hereof, by acceptance hereof, assents and agrees.

The Bonds are authorized to be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Act"). The Bonds are special obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from and secured by a first lien on and pledge of the Revenues as provided in the Indenture. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues (other than deposits to the Rebate Fund created by the Indenture), and the Revenues (other than deposits to the Rebate Fund created by the Indenture) constitute a trust fund for the security and payment of the principal of and interest on the Bonds. The full faith and credit of the Authority are not pledged for the payment of the principal of or interest or premium (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Indenture.

The Bonds have been issued for the purpose of refinancing certain capital facilities for the City. The Authority and the City have entered into a Lease Agreement, dated as of July 1, 2021 (the "Lease"), under which the City is obligated to pay amounts which are anticipated to be sufficient to enable the Authority to pay the principal of and interest on the Bonds.

The Bonds are subject to redemption prior to their maturity as provided in the Indenture.

The Bonds are subject to redemption prior to their respective maturity dates, upon notice as provided in the Indenture, as a whole or in part on any date, from prepayments of 2021A Base

Rental Payments made by the City pursuant to the Lease from funds received by the City due to a taking of the Leased Property or any portion thereof under the power of eminent domain or from insurance proceeds received by the City due to damage to or destruction of the Leased Property or any portion thereof, under the circumstances and upon the conditions and terms prescribed in the Indenture and in the Lease. Redemption of Bonds pursuant to this paragraph shall be made at a redemption price equal to the sum of the principal of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

The Bonds may be issued in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, this Bond may be exchanged at the Trust Office of the Trustee for a like aggregate principal amount, interest rate and maturity of fully registered Bonds of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of Authorized Denomination or Denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary. The Trustee shall not be required to register the transfer or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption or any Bond selected for redemption.

The Indenture and the rights and obligations of the Authority and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

It is hereby certified that all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and by the Act (as such term is defined on the reverse side hereof) and the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or statutes of the State of California or by the Act.

This Bond shall not be entitled to any benefit under the Indenture (as such term is defined on the reverse side hereof), or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed in its name and on its behalf by the manual signatures of its Chair and Secretary as of the Dated Date identified above.

REDONDO BEACH COMMUNITY FINANCING
AUTHORITY

By _____
William C. Brand, Chair

ATTEST:

Eleanor Manzano, Secretary

APPROVED AS TO FORM:

Michael W. Webb, City Attorney

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture and registered on the Bond Registration Books.

Dated: _____, 20__

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Officer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____
_____, whose tax identification number is _____, the within-
mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) _____
_____ attorney to transfer the same
on the books of the Trustee with full power of substitution in the premises.

Dated:

Signature guaranteed:

NOTE: The signature(s) on this Assignment
must correspond with the name(s) as written on
the face of the within Bond in every particular
without alteration or enlargement or any
change whatsoever.

NOTICE: Signature must be guaranteed by a
member of an institution which is a participant
in the Securities Transfer Agent Medallion
Program (STAMP) or other similar program.

EXHIBIT B

FORM OF SERIES 2021A COSTS OF ISSUANCE REQUISITION

REQUISITION NO. ____

with reference to

\$(Par Amount)
Redondo Beach Community Financing Authority
Lease Revenue Bonds
Series 2021A (Federally Taxable)

I. The Redondo Beach Community Financing Authority (the "Authority") hereby requests U.S. BANK NATIONAL ASSOCIATION, as trustee (the "Trustee"), pursuant to that certain Indenture, dated as of July 1, 2021 (the "Indenture"), by and between the Authority and the Trustee, under the terms of which the Authority has issued its Lease Revenue Bonds, Series 2021A, to pay from the moneys in the Series 2021A Costs of Issuance Fund established pursuant to the Indenture, the amounts shown on Schedule I attached hereto to the parties indicated in Schedule I.

II. The payees, the purposes for which the costs have been incurred, and the amount of the disbursements requested are itemized on Schedule I hereto.

III. Each obligation mentioned in Schedule I hereto has been properly incurred and is a proper charge against the Series 2021A Costs of Issuance Fund. None of the items for which payment is requested has been reimbursed previously from the Series 2021A Costs of Issuance Fund.

Dated: _____, 2019

REDONDO BEACH COMMUNITY FINANCING
AUTHORITY

By _____
Title: _____

EXHIBIT C

FORM OF SERIES 2021A NET PROCEEDS REQUISITION

REQUISITION NO. __ (to be numbered sequentially)

with reference to

\$(Par Amount]

Redondo Beach Community Financing Authority
Lease Revenue Bonds
Series 2021A

I. The Redondo Beach Community Financing Authority (the "Authority") hereby requests U.S. BANK NATIONAL ASSOCIATION, as trustee (the "Trustee"), pursuant to that certain Indenture, dated as of July 1, 2021 (the "Indenture"), by and between the Authority and the Trustee, under the terms of which the Authority has issued its Lease Revenue Bonds, Series 2021A, to pay from the moneys in the Insurance and Condemnation Fund established pursuant to the Indenture, the amounts shown on Schedule I attached hereto to the parties indicated in Schedule I.

II. The payees, the purposes for which the costs have been incurred, and the amount of the disbursements requested are itemized on Schedule I hereto.

III. Each obligation mentioned in Schedule I hereto has been properly incurred and is a proper charge against the Insurance and Condemnation Fund. None of the items for which payment is requested has been reimbursed previously from the Insurance and Condemnation Fund.

IV. There has not been filed with or served upon the City or the Authority a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person[s] named on Schedule I hereto which has not been released or will not be released simultaneously with the payment of such obligation, other than liens accruing by mere operation of law.

Dated: _____, 20__

REDONDO BEACH COMMUNITY FINANCING
AUTHORITY

By _____
Title: _____

PRELIMINARY OFFICIAL STATEMENT DATED __, 2021

NEW ISSUE - BOOK-ENTRY ONLY

RATING: S&P: " __ "
See "RATING"

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the City ("Bond Counsel"), interest on the Bonds is exempt from personal income taxes imposed by the State of California. Interest on the Bonds is includable in the gross income of the owners of the Bonds for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on the Bonds. See "TAX MATTERS" herein.

**\$[principal amount]*
REDONDO BEACH COMMUNITY FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2021A (FEDERALLY TAXABLE)**

Dated: Delivery Date

Due: May 1, as shown on the inside front cover

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision. See the section of this Official Statement entitled "BONDOWNERS' RISKS" for a discussion of certain of the risk factors that should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds.

The Redondo Beach Community Financing Authority (the "Authority") will issue its \$[principal amount] Lease Revenue Bonds, Series 2021A (Federally Taxable) (the "Bonds") pursuant to an Indenture, dated as of [July] 1, 2021 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as Trustee. Proceeds of the Bonds will be used to: (i) fund all or a portion of its California Public Employees' Retirement System ("CalPERS") Obligation (as defined herein); (ii) [fund capitalized interest through __, 202__,] and (iii) pay costs of issuance of the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Bonds will be payable from Revenues, which primarily consist of base rental payments ("Base Rental Payments") to be made by the City of Redondo Beach ("City") to the Authority as rental for all or a portion of streets in the City as described under "THE LEASED PROPERTY" (the "Leased Property"), pursuant to a Lease Agreement, dated as of [July] 1, 2021 (the "Lease"), by and between the Authority and the City. Such Base Rental Payments are payable from any source of legally available funds (subject to abatement under certain circumstances described in the Lease) as more fully described herein. See "SECURITY FOR THE BONDS."

The Bonds are subject to optional redemption,* mandatory sinking account redemption* and extraordinary redemption prior to their maturity as described herein.

The Bonds will be issued in fully registered form and, when issued, 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 of the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in integral multiples of \$5,000 each. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal of and interest on the Bonds will be paid directly to DTC by the Trustee. Principal of the Bonds is payable on their maturity dates set forth on the inside cover hereof. Interest on the Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2021. Upon its receipt of payments of principal and interest, DTC is in turn obligated to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the Bonds as described herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE CITY, STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

The Bonds are offered, when, as and if issued, subject to the approval of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. In addition, certain legal matters will be passed on for the Authority by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about __, 2021.

[Stifel logo]

[Ramirez & Co. logo]

Dated: [pricing date], 2021

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the date of the Official Statement. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

* Preliminary, subject to change.

\$[principal amount]*
REDONDO BEACH COMMUNITY FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2021A (FEDERALLY TAXABLE)

MATURITY SCHEDULE*

\$___* Serial Bonds

<u>Maturity Date</u> <u>(May 1)*</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u> <u>(Base: ___)</u>
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\$___* – ___% Term Bonds due May 1, 20__ Yield: __%, Price: __% CUSIP[†]

* 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 Ratings 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 Authority and are included solely for the convenience of investors. Neither the Authority, the City nor the Underwriters guarantees the accuracy of the CUSIP data.

**REDONDO BEACH COMMUNITY FINANCING AUTHORITY
REDONDO BEACH, CALIFORNIA**

CITY COUNCIL/AUTHORITY

Bill Brand	Mayor/Chair
Nils Nehrenheim	Councilmember, District 1/Member
Todd Loewenstein	Councilmember, District 2/Member
Christian Horvath	Councilmember, District 3/Member
Zein Obagi, Jr.	Councilmember, District 4/Member
Laura Emdee	Councilmember, District 5/Member

CITY/AUTHORITY STAFF

Joe Hoefgen, City Manager/Executive Director
Mike Witzansky, Assistant City Manager
Steve Diels, City Treasurer
Marni Ruhland, Finance Director
Eleanor Manzano, City Clerk
Michael Webb, City Attorney/Authority Counsel

SPECIAL SERVICES

Bond Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Disclosure Counsel

Richards, Watson & Gershon
A Professional Corporation
Los Angeles, California

Trustee

U.S. Bank National Association
Los Angeles, California

Municipal Advisor and Dissemination Agent

Kosmont Transactions Services, Inc.
Manhattan Beach, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Preparation and Use of Official Statement. Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable. This Official Statement is submitted in connection with the offer and sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the Authority with respect to the Bonds that has been deemed "final" by the Authority and the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

Estimates and Forecasts. Certain statements included or incorporated by reference in this Official Statement and in any continuing disclosure by the City, any press release and in any oral statement made with the approval of an authorized officer of the City or any other entity described or referenced herein, constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "anticipate," "estimate," "budget," or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves 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. While the City has undertaken to provide certain on-going financial and other data pursuant to a Continuing Disclosure Agreement (see "CONTINUING DISCLOSURE" and APPENDIX E), the City does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations or events, conditions or circumstances on which such statements are based change.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its 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.

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

Information as of Dated Date of Official Statement. The information and expressions of opinions in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other entity described or referenced in this Official Statement since the dated date shown on the front cover. All summaries of the documents referred to in this Official Statement 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.

Stabilization of Prices. In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 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 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover and said public offering prices may be changed from time to time by the Underwriters.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access ("EMMA") website. The City maintains a website. The information presented therein is not part of this Official Statement and should not be relied on in making investment decisions with respect to the Bonds. Unless otherwise expressly stated, references to Internet websites in this Official Statement are shown for reference and convenience only, and none of their content (including any content on the City's website) is incorporated in this Official Statement by reference. The City and the Authority make no representation regarding the accuracy or completeness of the information presented on such websites.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAW OF ANY STATE.

NOT FDIC INSURED

NO BANK GUARANTEE

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\$(principal amount)*
REDONDO BEACH COMMUNITY FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2021A (FEDERALLY TAXABLE)

INTRODUCTION

This introduction does not purport to be complete, and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to matters concerning the Bonds. Potential investors are encouraged to read the entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement.

General

This Official Statement, including the cover page, inside cover page and appendices, is provided to furnish information in connection with the sale by the Redondo Beach Community Financing Authority (the "Authority") of its \$(principal amount)* aggregate principal amount of Lease Revenue Bonds, Series 2021A (Federally Taxable) (the "Bonds"). The Bonds are being issued pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the California Government Code, including the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (the "Bond Law"), and an Indenture, dated as of [July] 1, 2021 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The City of Redondo Beach ("City") is a member of the California Public Employees' Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California (the "State"), including the City of. As such, the City is obligated by the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the "Retirement Law"), and the contract, dated January 31, 1949 (as amended, the "CalPERS Contract"), by and between the City Council of the City (the "City Council") and the Board of Administration of CalPERS, to make contributions to CalPERS: (a) to fund pension benefits for City employees who are members of CalPERS; (b) to amortize the unfunded accrued actuarial liability with respect to such pension benefits; and (c) to appropriate funds for such purposes.

Proceeds from the sale of the Bonds will be used to (i) fund all or a portion of the City's obligations to CalPERS under the CalPERS contract consisting of [100%] of the City's unfunded accrued actuarial liability to CalPERS as of [July 15], 2021 (the "CalPERS Obligation"); (ii) [fund capitalized interest through ___, 202__,] and (iii) pay costs of issuance of the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Bonds will be dated the Delivery Date, and will mature on May 1 in the years and in the amounts shown on the inside front cover of this Official Statement. Interest on the Bonds will be calculated at the rates shown on the inside cover page of this Official Statement, payable semiannually on May 1 and November 1 in each year, commencing on November 1, 2021, by check mailed to the registered owners thereof or upon the request of the Owners of \$1,000,000 or more in principal amount of Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date.

* Preliminary, subject to change.

The Bonds will be executed and delivered as one fully-registered Bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See "THE BONDS – Book-Entry Only System" and "APPENDIX D – DTC'S BOOK-ENTRY ONLY SYSTEM."

COVID-19 Pandemic

The finances and operations of the City have been and will continue to be impacted by SARSCoV-2, the virus ("Virus") which causes the coronavirus disease ("COVID-19"), which has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and California. The Pandemic is ongoing, and the ultimate geographic spread of the Virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to address its impacts are uncertain. The various local and state emergency orders issued to attempt to halt the spread of the Virus have altered the behavior of businesses and people in a manner that has had a negative effect on global and local economies. The activities that generate certain revenues of the City including, in particular, sales and use taxes and transient occupancy taxes, have been adversely affected by the spread of the Virus, and, although businesses and schools in the City have begun to reopen, there can be no assurances such material adverse impacts may not continue in the future.

The City expects to receive \$6,801,080.00 in federal funds as part of the \$1.9 trillion American Rescue Plan Act of 2021 signed by the President on March 11, 2021 to help offset revenue loss caused by the Pandemic. See "CITY FINANCIAL INFORMATION - Impact of COVID-19 Pandemic" and "BONDOWNERS' RISKS – COVID-19 Pandemic".

Security for the Bonds

The Bonds are payable from Revenues, which primarily consist of base rental payments ("Base Rental Payments") to be made by the City to the Authority for leasing certain City streets as described below under "THE LEASED PROPERTY" (the "Leased Property") pursuant to a Lease Agreement, dated as of [July] 1, 2021 (the "Lease"), by and between the City, as lessee, and the Authority, as lessor. Pursuant to the Indenture and an Assignment Agreement, dated as of [July] 1, 2021 (the "Assignment Agreement"), by and between the Authority and the Trustee, the Authority will assign to the Trustee for the benefit of the Owners of the Bonds, certain of its rights under the Lease, including its rights to receive Base Rental Payments for the purpose of securing the payment of debt service on the Bonds.

The City covenants under the Lease to take such action as necessary to include the Base Rental Payments and additional rental payments due under the Lease ("Additional Rental Payments") in its annual budget and to make all necessary appropriations therefor (subject to abatement under certain circumstances as described in the Lease). The City will not fund a reserve fund for the Bonds. See "SECURITY FOR THE BONDS".

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The City

The City was incorporated in 1892 and adopted a charter in 1949. The City is located on the coastal edge of Los Angeles County, approximately 20 miles from downtown Los Angeles and approximately seven miles south of Los Angeles International Airport and spans 6.3 square miles. The City's population as of

January 1, 2021 was 66,484. The City remains a mostly residential, non-industrial community. The median sales price of a home in the City was over \$1,200,000 as calculated by Zillow in May 2021.

The City provides a full range of municipal services. These include public safety (police and fire protection); recreation and community services; library; parks; maintenance and improvement of streets and infrastructure; planning and zoning; housing; economic development; transit and general government. The City also operates and maintains a large recreational and commercial harbor, including King Harbor, a 1,509-slip recreational boating harbor; the Redondo Beach Pier and Seaside Lagoon; and a 1.5 mile beach. The City has significant areas of employment and retail activity, including Northrop Grumman located at the northern end of the City, the South Bay Galleria located in the east end of the City, and Riviera Village, which consists of specialty shops, restaurants and services, and the Harbor/Pier, which are located at the south end of the City. See "THE CITY" and "APPENDIX A - INFORMATION REGARDING THE CITY OF REDONDO BEACH" for more information about the City.

Continuing Disclosure

The City will covenant in a Continuing Disclosure Agreement, for the benefit of the beneficial holders of the Bonds, to prepare and deliver an annual report of certain financial information and operating data relating to the City and to provide certain other information in compliance with Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" and "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT."

Summaries of Documents

This Official Statement contains descriptions of the Bonds, the Indenture, the Lease, and various other agreements and documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms not defined herein shall have the meanings set forth in the Indenture or the Lease. Copies of the Indenture and the Lease are available for inspection during business hours at the corporate trust office of the Trustee in Los Angeles, California.

Other Information

This Official Statement speaks only as of its date as set forth on the cover, and 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 Authority or the City since the date of this Official Statement.

PLAN OF FINANCE

The Authority is issuing the Bonds for the purpose of funding: (i) all or a portion of its CalPERS Obligation; and (ii) costs of issuing the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" below. CalPERS has notified the City as to the amount of the Unfunded Liability based on the June 30, 2019 actuarial valuations. Based on the June 30, 2019 actuarial valuation as reported by CalPERS to the City, CalPERS has projected the City's total Unfunded Liability to be \$___ as of [___], 2021, consisting of \$___ with respect to the City's Miscellaneous Plan, and \$___ with respect to the City's Safety Plan. The Bonds are being issued to refund [100]% of the Unfunded Liability for such plans, which will increase the funded ratio to ___% for the Miscellaneous Plan and ___% for the Safety Plan. It is possible that CalPERS will determine at a future date that an additional unfunded liability exists that is attributable to the City if actual plan experience differs from the actuarial assumptions and projected investment returns, as such assumptions may be changed by CalPERS from time to time.

ESTIMATED SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of the proceeds from the sale of the Bonds:

Sources:

Par amount of the Bonds	\$
Original issue [discount/premium]	
Total Sources	\$

Uses:

Transfer to CalPERS	
Underwriters' discount	
[Capitalized Interest Account] ⁽¹⁾	
Costs of Issuance Fund ⁽²⁾	
Total Uses	\$

- (1) To fund capitalized interest through ___, 20__.
- (2) Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Municipal Advisors, Trustee, printing expenses, rating fee and other costs.

ANNUAL DEBT SERVICE

The following table shows the annualized debt service for the Bonds:

Bond Year Ending May 1	Principal ⁽¹⁾	Interest	Total Annual Debt Service
Total	\$	\$	\$

- (1) Payments from May 1, 20__ through May 1, 20__ are Sinking Account Installments for the Term Bond maturing on May 1, 20__. See “THE BONDS – Redemption – *Mandatory Sinking Account Redemption*.”

THE LEASED PROPERTY

The Leased Property consists of approximately 1.8 million aggregate square feet of multiple sections of certain City streets, appurtenant infrastructure and the real property upon which the improvements have been installed. Simultaneously with the delivery of the Bonds, the Authority will acquire a leasehold interest in the Leased Property from the City. The Authority will sublease the Leased Property to the City pursuant to the Lease. While the City is in possession of the Leased Property, all maintenance and repair of the Leased Property is the responsibility of the City.

The City, with the assistance of Kosmont Companies, a real estate advisory services company, has determined the estimated value of the Leased Property to be approximately \$316 million. Pursuant to the Lease, the City and the Authority will acknowledge that the Base Rental Payments required to be made under

the Lease represent the annual fair rental value of the Leased Property. The estimated values are provided for informational purposes only.

The Leased Property will not be subject to a deed of trust securing the Base Rental Payments. **If an event of default occurs and is continuing under the Lease, there is no right for the Authority to terminate the Lease and re-let the Leased Property.** See “BONDOWNERS’ RISKS -- Limited Recourse on Lease Default.”

Pursuant to the Lease, the City may substitute the Leased Property, in whole or in part, with other properties, upon the satisfaction of certain conditions. For more information regarding the substitution of property see “SECURITY FOR THE BONDS – Substitution of Leased Property” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – Lease.”

THE BONDS

General

The Bonds will be issued in the aggregate principal amount and will mature on the dates and bear interest at the rates per annum as set forth on the inside front cover of this Official Statement. The Bonds will be issued in integral multiples of \$5,000 and will be dated their date of delivery. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on May 1 and November 1 of each year, commencing November 1, 2021 (each an “Interest Payment Date”), until maturity or earlier redemption thereof.

The Bonds will be initially delivered as one fully registered certificate for each maturity (unless the Bonds of such maturity bear different interest rates, then one certificate for each interest rate among such maturity) and will be delivered by means of the book-entry system of DTC. See “Book-Entry Only System” below.

Redemption*

Optional Redemption. The Bonds maturing on or before May 1, 20__ will not be subject to optional redemption. The Bonds maturing on or after May 1, 20__ will be subject to optional redemption, in whole or in part, on any date on or after May 1, 20__, in any order deemed reasonable by the Authority, and by lot within a maturity, from prepayments of Base Rental Payments made at the option of the City pursuant to the Lease, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds that are Term Bonds maturing May 1, 20__ will also be subject to mandatory redemption in part by lot, on May 1 in each year, commencing March 1, 20__, as set forth below, from sinking account payments made by the Authority pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, together with interest accrued thereon in the aggregate respective principal amounts and on May 1 in the respective years as set forth in the following table:

Term Bonds Maturing on May 1, 20__

Redemption Date (May 1)	Principal Amount to be Redeemed \$
----------------------------	--

(Maturity)

Extraordinary Redemption. The Bonds are subject to redemption prior to maturity, in whole or in part, on any date, from prepayments of Base Rental Payments made by the City pursuant to the Lease from funds received by the City due to a taking of all or a portion of the Leased Property under the power of eminent domain or from insurance proceeds received by the City due to damage to or destruction of all or a portion of the Leased Property, under the circumstances and upon the conditions and terms prescribed in the Indenture and the Lease, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium. The Lease does not require property insurance, however, if the Leased Property consists of City streets. See "THE LEASED PROPERTY" and "SECURITY FOR THE BONDS - Insurance."

Notice of Redemption. The Trustee on behalf and at the expense of the Authority will mail (by first class mail or other means acceptable to the recipient thereof) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least 20 but not more than 60 days prior to the date fixed for redemption. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption. Such notice may state that such redemption is conditioned upon sufficient funds being on deposit on the redemption date to redeem the Bonds so called for redemption. Such notice of redemption may also state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee will select the Bonds to be redeemed by lot from all Bonds not previously called for redemption in such maturities as the Authority will designate (and by lot within any maturity). For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, premium, if any, and interest on the Bonds so called for redemption will have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date. All Bonds redeemed pursuant to the Indenture will be canceled by the Trustee. All moneys held by or on behalf of the Trustee for the payment of principal of or interest or premium on Bonds, whether at redemption or maturity, will be held in trust for the account of the Owners thereof and the Trustee will not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

Book-Entry Only System

The Bonds will be issued as one fully registered bond certificate without coupons for each maturity (unless the Bonds of such maturity bear different interest rates, then one certificate for each interest rate among such maturity) and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only, in integral multiples of \$5,000. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. So long as DTC's book-entry system is in effect with respect to the Bonds, notices to Owners of the Bonds by the Authority or the Trustee will be sent to DTC. Notices and communication by DTC to its

participants, and then to the beneficial owners of the Bonds, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See "APPENDIX D – DTC'S BOOK-ENTRY ONLY SYSTEM."

If such book-entry system is discontinued with respect to the Bonds, the Authority will execute and deliver replacements in the form of registered certificates and, thereafter, the Bonds will be transferable and exchangeable on the terms and conditions provided in the Indenture. In addition, the following provisions would then apply: The principal of, and redemption premium, if any, on the Bonds will be payable on the surrender thereof at maturity or the redemption date, as applicable, at the corporate trust office of the Trustee in Los Angeles, California. The interest on the Bonds will be payable by check or draft mailed by first class mail on each Interest Payment Date to the registered owners thereof as shown on the registration books of the Trustee as of the close of business on the Record Date (*i.e.*, the 15th calendar day of the month preceding the Interest Payment Date); provided, that a registered owner of \$1,000,000 or more in aggregate principal amount of Bonds may specify in writing to the Trustee on or before the applicable Record Date that the interest payment payable on each succeeding Interest Payment Date be made by wire transfer.

SECURITY FOR THE BONDS

General

The Authority and the City will enter into a Site and Facility Lease, dated as of [July] 1, 2021 ("Site Lease"), pursuant to which the City will lease the Leased Property to the Authority and concurrently will enter into a Lease pursuant to which the Authority will sublease the Leased Property back to the City. As security for the Bonds, the Authority will assign to the Trustee pursuant to the Assignment Agreement all of its rights, title and interest in the Lease (with certain exceptions) for the benefit of the Bondowners, including the right to receive Base Rental Payments to be made by the City under the Lease. Amounts of the scheduled Base Rental Payments are calculated to be sufficient in time and in amount to pay debt service on the Bonds. Base Rental Payments will be paid by the City to the Trustee, as annual rental for the use and possession of the Leased Property, on each Lease Payment Date.

The Bonds are payable from Revenues, which primarily consist of the Base Rental Payments payable by the City pursuant to the Lease. The City will covenant under the Lease to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease in its annual budget and to make the necessary appropriations for any amount of Base Rental Payments and Additional Rental Payments. The obligation of the City to pay Base Rental Payments and Additional Rental Payments under the Lease will constitute a current expense of the City payable from any legally available funds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Abatement

The obligation of the City to pay Base Rental Payments and Additional Rental Payments will be abated during any period in which by reason of any damage, destruction, condemnation or title defect there is substantial interference with the use by the City of all or any portion of the Leased Property. Such abatement shall be in an amount such that the resulting Base Rental Payments in any year during which such interference continues does not exceed the fair rental value of the portions of the Leased Property as to which such damage, destruction, taking or title defect does not substantially interfere with the City's use and right of possession, as evidenced by a Certificate of the City. Such abatement shall continue for the period

commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Leased Property, and ending with the substantial completion of the work of repair or replacement of the Leased Property, or the portion thereof so damaged or destroyed, and the term of the Lease shall be extended as provided in the Lease. To the extent that moneys are available for the payment of base rental payments in any of the funds and accounts established under the Indenture, such base rental payments shall not be abated but shall be payable by the City as a special obligation payable solely from such funds and accounts. See also "BONDOWNERS' RISKS - Abatement" and "- Risk of Uninsured Loss."

Additional Rental Payments

Under the Lease, in addition to Base Rental Payments, the City has agreed to pay Additional Rental Payments in such amounts in each year as shall be required for the payment of all costs and expenses (not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Lease or the assignment thereof, the Indenture, or the Authority's or the Trustee's interest in the Leased Property, including, but not limited to, all fees, costs and expenses, all administrative costs of the Authority relating to the Leased Property (including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums (if any), taxes and assessments (if any), expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture), fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or of the Indenture. Such Additional Rental Payments shall be billed to the City by the Authority or the Trustee from time to time. Amounts so billed shall be paid by the City within sixty (60) days after receipt of the bill by the City.

Covenant to Budget and Appropriate

The City has covenanted in the Lease to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease in its budget and to make the necessary annual appropriations for all such Base Rental Payments and Additional Rental Payments, subject only to abatement as provided in the Lease.

The City will furnish to the Authority and the Trustee annually, on or before September 1, a certificate stating that it has complied with this covenant, as set forth in the Lease. The covenants on the part of the City contained in the Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City.

No Reserve Fund

The City will not fund a reserve fund for the Bonds.

Limited Obligation

The full faith and credit of the Authority is not pledged for the payment of the principal of or interest or premium (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Indenture.

The obligation of the City to make Base Rental Payments or Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Base Rental Payments or Additional Rental Payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Insurance

Pursuant to the Lease, the City shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the Lease, all coverage on the Leased Property required by the Lease. Such insurance will consist of:

(1) Property insurance against loss or damage to all improvements situated on the Leased Property. The property insurance required by the Lease will be in an amount at least equal to the aggregate principal amount of the Outstanding Bonds, except when the Leased Property consists of all or a portion of the City's streets. Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; the City is not obligated to maintain earthquake insurance. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in the Lease;

(2) Standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the City. Said policy or policies will provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid; and

(3) Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor Code of the State, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Leased Property and to cover full liability for compensation under any such act; provided, however, that the City's obligations under this paragraph (3) may be satisfied by self-insurance.

If the City elects to provide self-insurance, the City shall annually cause to be delivered to the Trustee, upon request, a certificate of an Insurance Consultant certifying to the adequacy of the City's reserves for such insurance.

All policies or certificates of insurance shall name the City as a named insured and the Trustee as an additional insured. All proceeds of insurance maintained under paragraphs (1) and (3) above shall be deposited with the City and under paragraph (2) shall be deposited with the Trustee.

The City shall deliver to the Trustee on or before the Closing Date and each anniversary of the Closing Date a Certificate of the City that all insurance required under the Lease is in full force and effect. If the City obtains insurance through a pooled insurance program of governmental entities, an annual statement or memorandum of coverage delivered to the Authority and the Trustee will satisfy the requirements of this subsection.

Substitution of Leased Property

The City has the option at any time to substitute other real property (the "Substitute Property") for any portion of the Leased Property (the "Former Property") or release any identifiable real property and/or improvements currently constituting the Leased Property (in such case, Substitute Property shall mean the Former Property less any portion released); provided, that the City shall satisfy all of the following requirements, which are conditions precedent to such substitution:

- (a) No default under the Lease or Event of Default shall have occurred and be continuing;
- (b) The City shall file with the Authority and the Trustee, and cause to be recorded with the County Recorder, if necessary, sufficient memorialization of amendments to the Lease and the Site Lease with a description of such Substitute Property which deletes therefrom the description of the Former Property; provided, however, that this requirement shall not apply to Substitute Property that consists only of other streets or roadways of the City. Since the initial Leased Property consists of streets, the Lease and the Site Lease will not be recorded with the County. See "THE LEASED PROPERTY".
- (c) The City shall obtain an extended California Land Title Association ("CLTA") policy of title insurance insuring the City's fee or leasehold estate in such Substitute Property, the City's leasehold estate hereunder, and the Authority's leasehold estate under the Site Lease in such Substitute Property, subject only to Permitted Encumbrances, in an amount not less than the aggregate principal amount of the Outstanding Bonds; provided, however, that this requirement shall not apply to (i) Substitute Property that consists only of Former Property less any released portion; or (ii) consists only of other streets or roadways of the City;
- (d) The City shall provide a Certificate of the City to the Authority and to the Trustee that such Substitute Property constitutes property which the City is permitted to lease under the laws of the State of California;
- (e) The substitution of the Substitute Property shall not cause the City to violate any of its covenants, representations and warranties made in the Lease;
- (f) The City shall file with the Authority and the Trustee a Certificate of the City or other evidence which establishes that the annual fair rental value of the Substitute Property after substitution or release will be at least equal to 100% of the maximum amount of the Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year and the useful economic life of the Substitute Property shall be at least equal to the maximum remaining term of the Lease; and
- (g) The City shall furnish to the Trustee an opinion of Bond Counsel addressed to the Trustee, the City and the Authority to the effect that the substitution or release is permitted under the Lease.

Upon the satisfaction of all such conditions precedent, and upon the City delivering to the Authority and the Trustee a Certificate of the City certifying that the conditions set forth in subsections (a), (c) and (e) above have been satisfied, the Term of the Lease shall thereupon end as to the Leased Property and shall thereupon commence as to the Substitute Property, and all references to the Leased Property shall apply with full force and effect to the Substitute Property. The City will not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments whatsoever as a result of any substitution or removal hereunder.

THE CITY

General

The City was incorporated in 1892 and adopted a charter in 1949. The City is located on the coastal edge of Los Angeles County, approximately 20 miles from downtown Los Angeles and approximately seven miles south of Los Angeles International Airport and spans 6.3 square miles. The City's population as of January 1, 2021 is 66,484. The City remains a mostly residential, non-industrial community. The median sales price of a home in the City is over \$1,200,000 as calculated by Zillow in May 2021. The City provides a full range of municipal services. These include public safety (police and fire protection); recreation and community services; library; parks; maintenance and improvement of streets and infrastructure; planning and zoning; housing; economic development; transit and general government. The City also operates and maintains a large recreational and commercial harbor, including King Harbor, a 1,509-slip recreational boating harbor; the Redondo Beach Pier and Seaside Lagoon; and a 1.5 mile beach. The City has significant areas of employment and retail activity in the northern industrial complex anchored by Northrop Grumman, while the South Bay Galleria anchors the east end of the City. The Harbor/Pier and the Riviera Village made up of specialty shops and services is located at the south end of the City.

City Government

The City is divided into five districts and operates under a Council-Manager form of government. One councilperson is elected from each district and serves four year overlapping terms at elections held every two years. Each councilperson has a limit of two full terms. The Mayor is elected from the City at large, and is also limited to two full terms. Other elected officials are the City Treasurer, City Attorney and the City Clerk, serving terms of four years, but can be re-elected an unlimited number of times. The City Council is responsible for, among other things, passing ordinances, adopting the budget, and appointing the City Manager.

In addition to sitting as the governing board of the City, the Mayor and the City Council act as the Board of Directors for various component units of the City, including the Authority, the Redondo Beach Housing Authority, the Redondo Beach Public Financing Authority, the Parking Authority of the City of Redondo Beach and the Successor Agency to the Redevelopment Agency of the City of Redondo Beach. The City Manager is responsible for carrying out the policies and ordinances of the City Council and for appointing heads of the City's various departments.

Current City Management staff include the following:

Joe Hoefgen, City Manager. Mr. Hoefgen was appointed City Manager in January 2015 by the Mayor and City Council following an open recruitment process. Prior to becoming the Interim City Manager in April 2014, he was the Redondo Beach Community Services Director for approximately three years. He previously served as the City Manager of Palos Verdes Estates (2007-2011) and as Assistant City Manager of Del Mar (1992-2007). His prior work experience includes service with the City of Encinitas, California and two cities in Texas, San Antonio and University Park. Mr. Hoefgen has a Bachelor of Science Degree in Education from Emporia State University and a Master of Public Administration Degree from the University of Kansas. Mr. Hoefgen serves on the Board of the Redondo Beach Chamber of Commerce, the Redondo Beach Round Table, and has volunteered with a number of civic and non-profit organizations over the years. Mr. Hoefgen recently announced that he will retire in November 2021. The City Council is still evaluating whether to hire a search firm to find a new City Manager.

Mike Witzansky, Assistant City Manager. Mr. Witzansky has served as Assistant City Manager for the City since January 2015. Prior to this, he served as the City's Public Works Director since July 2010, and prior to that served as the City's Recreation and Community Services Director beginning in January 2006. Before working for the City, Mr. Witzansky served as an Administrative Analyst and Senior Business Manager for the City of Torrance for approximately six years. Mr. Witzansky received a Bachelor of Arts degree in Politics from Pomona College. Mr. Witzansky is a member of the American Public Works

Association and is currently the Chairman of the Board of Directors for the Torrance Community Credit Union.

Marni Ruhland, Finance Director. Ms. Ruhland has served as the City's Finance Director since March 2018. Prior to her appointment, she served in various finance positions, including Assistant Financial Services Director from 2014-2018 with the city where she was previously employed since 1982. Ms. Ruhland received a Bachelor of Science degree in Business Administration from Biola University. Ms. Ruhland is a member of the California Society of Municipal Finance Officers and the Government Finance Officers Association. Ms. Ruhland is scheduled to retire at the end of June 2021, and the City is currently in the process of interviewing candidates for Finance Director.

CITY FINANCIAL INFORMATION

Budgetary Process; General Fund Budget

The City generally adopts the budget in June of each year; the Fiscal Year 2021-22 budget was adopted on June [___], 2021. The annual budget adopted by the City Council provides for the general operation of the City. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the fiscal year. Appropriations lapse at fiscal year-end. The City Council generally reauthorizes appropriations for continuing projects and activities. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary level of control (the level on which expenditures may not legally exceed appropriations) is generally at the fund level. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Capital Improvement Projects

The City adopts a five-year capital improvement program ("CIP"). The [proposed] Five-Year CIP for 2021-2026 proposes \$7.2 million in projects. The City's established process for evaluating, reviewing and prioritizing future capital efforts focuses on enhancing the quality of existing public facilities, streets, sewers, and open spaces. The Fiscal Year 2021-22 capital budget continues the reinvestment in current infrastructure and includes significant funding for traffic calming projects, street rehabilitation, transit center reconstruction, park play equipment enhancements, and stormwater drainage and treatment projects.

The City completed 13 capital improvement projects in Fiscal Year 2020-21 and designed and/or awarded an additional 18 projects for execution in Fiscal Year 2021-22 for a total capital expenditure of approximately \$12.0 million. The proposed Fiscal Year 2021-22 CIP again focuses on the rehabilitation of existing street, sewer, park, and public facility infrastructure. The proposed Fiscal Year 2021-22 CIP contains \$37.1 million of carryover funding for 77 previously approved projects and \$20.9 million of appropriations for 42 projects (13 of which are new to the Five-Year Plan), for a total Fiscal Year 2021-22 CIP of approximately \$58 million and 90 projects. No debt is currently expected to be issued to fund these projects. The project breakout is summarized in the following table, with most of the City's capital funding designated to, and/or limited to, various street improvement projects, including resurfacing and reconstruction.

Project	Carryover Funding	New Appropriations	Total
Streets	\$16,419,062	\$11,248,279	\$27,667,341
Sewer	9,275,555	425,000	9,700,555
Waterfront	5,054,774	4,155,000	9,209,774
Public Facilities	3,264,875	3,983,820	7,248,695
Parks	2,085,772	606,500	2,692,273
Drainage	983,533	500,000	1,473,533
General Improvements	8,993	0	8,993

General Fund Budget Summary

The following table shows the City's budget and actual results for General Fund revenues and expenditures for fiscal years 2018-19 and 2019-20, and the City's budget for fiscal year 2020-21.

Table 2
City of Redondo Beach
General Fund Budget Summary
Fiscal Years 2018-19 through 2020-21

	Fiscal Year 2018-19 Adopted Budget ⁽¹⁾	Fiscal Year 2018-19 Audited Actual ⁽²⁾	Fiscal Year 2019-20 Adopted Budget ⁽³⁾	Fiscal Year 2019-20 Audited Actual ⁽⁴⁾	Fiscal Year 2020-21 Adopted Budget ⁽⁵⁾	Fiscal Year 2020-21 Revised Budget ⁽⁶⁾
Revenues:						
Taxes and assessments	\$67,117,000	\$68,143,559	\$68,130,000	\$66,386,725	\$62,340,000	\$63,270,000
Interdepartmental ⁽⁷⁾	8,170,297	8,503,283	8,503,283	9,417,289	9,417,289	9,379,851
Licenses and permits	1,829,330	1,555,407	1,779,590	1,503,909	1,868,309	1,851,404
Intergovernmental	55,000	181,079	145,000	278,418	310,000	204,987
Charges for services ⁽⁸⁾	8,124,533	8,337,355	8,545,865	7,003,574	8,184,705	6,743,285
Use of money and property	2,557,175	4,381,345	3,414,475	3,784,458	3,049,050	1,241,700
Fines, forfeitures	1,495,580	1,485,365	1,360,000	1,163,678	1,227,500	1,194,480
Miscellaneous	1,768,121	3,834,772	3,032,665	2,951,772	2,315,125	2,253,370
Total revenues	\$91,117,036	\$96,422,165	\$94,910,878	\$92,489,823	\$88,711,978	\$ 86,139,077
Expenditures:						
Current:						
General government	\$11,469,207	\$11,546,126	\$13,448,847	\$12,701,080	\$11,153,807	\$11,884,853
Public safety	58,753,162	57,609,081	60,841,974	60,204,007	59,947,664	60,559,600
Housing & community development	4,163,103	4,323,969	4,153,000	4,044,131	3,821,259	4,046,194
Cultural and leisure services	10,773,146	11,899,338	10,759,962	10,456,518	9,361,329	8,576,673
Public works	6,144,774	6,679,130	6,444,786	7,126,164	6,775,137	7,027,952
Capital Outlay	--	34,951	260,000	52,009	--	211,978
Total expenditures	\$91,303,392	\$92,092,595	\$95,908,569	\$94,583,909	\$91,059,196	\$92,307,250
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$(186,356)	\$4,329,570	\$(997,691)	\$(2,094,086)	\$(2,347,218)	\$(6,168,173)
Other Financing Sources (Uses):						
Transfers in	\$1,255,102	\$735,658	\$3,030,101	\$1,526,718	\$4,854,567	\$6,264,369
Transfers out	(1,080,416)	(2,126,186)	(2,822,395)	(2,609,468)	(2,507,349)	(2,679,794)
Total Other Financing Sources (Uses)	\$174,686	\$(1,390,528)	\$207,706	\$(1,082,750)	\$2,347,218	\$3,584,575
Net Change in Fund Balance	(11,670)	2,939,042	(789,985)	(3,176,836)	--	(2,583,598)
Fund Balances, Beginning of Year	\$17,783,934	\$17,783,934	\$20,722,976	\$20,722,976	--	--
Fund Balances (Deficits), End of Year	\$17,772,264	\$20,722,976	\$19,932,991	\$17,546,140	--	--

Source: City of Redondo Beach, Finance Department

(1) As provided in the City's Annual Adopted Budget for fiscal year ended June 30, 2019.

(2) As provided in the City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2019.

(3) As provided in the City's Annual Adopted Budget for fiscal year ended June 30, 2020, adopted in June 2019.

(4) As provided in the City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2020.

(5) As provided in the City's Annual Adopted Budget for fiscal year ended June 30, 2021.

(6) As provided in the City's Third Quarter General Fund Financial Report for fiscal year ended June 30, 2021.

(7) Overhead paid to the General Fund.

(8) Consists of fees and charges for services including, but not limited to, parking meter fees, building and engineering fees and library charges.

Financial Statements

Set forth in the following pages are the City's General Fund balance sheets and statements of revenues, expenditures and changes in General Fund balance for the last five fiscal years, based on the City's audited financial statements. The balance sheets and statements presented in this Official Statement are subject to the various notes attached to the City's audited financial statements for the respective years. The City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2020, which includes the City's 2019-20 audited financial statements, is set forth in APPENDIX F.

Table 3
City of Redondo Beach General Fund Balance Sheets
Fiscal Years 2015-16 through 2019-20

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
Assets:					
Pooled cash and investments	\$16,986,478 ⁽¹⁾	\$12,518,776 ⁽¹⁾	\$8,638,657 ⁽¹⁾	\$10,530,222	\$6,019,135
Receivables:					
Accounts receivable	709,684	596,287	662,862	426,811	1,383,561
Interest	111,632	151,635	165,334	299,781	249,918
Taxes	5,703,317	4,950,172	4,977,488	4,673,136	3,815,126
Notes and Loans	32,074	21,625	19,910	22,519	23,262
Prepaid costs	55,271	66,422	73,795	164,983	84,435
Due from other funds	2,456,835	2,052,987	2,790,711	2,827,384	5,518,469
Due from other governments	1,024,416	1,639,977	415,829	1,664,975	1,772,637
Advances to other funds	988,402	925,105	860,066	793,235	--
Restricted cash & investments with fiscal agents ⁽²⁾	3,000,000	3,014,810	3,000,000	3,000,000	1,869,940
Total Assets	\$31,068,109	\$25,937,796	\$21,604,652	\$24,403,046	\$20,736,483
Liabilities:					
Accounts payable	\$601,868	\$1,197,566	\$862,693	\$956,506	\$490,450
Accrued liabilities	4,364,470	2,716,686	2,183,835	1,915,721	2,350,041
Pollution remediation liability	150,000	150,000	150,000	150,000	150,000
Unearned revenues	369,803	408,583	409,903	365,821	32,285
Deposits payable	241,111	141,172	144,160	279,329	164,939
Due to other funds ⁽³⁾	4,050,000	2,450,000	6,210	--	--
Advances from other funds	--	--	--	--	--
Total Liabilities	\$9,777,252	\$7,064,007	\$3,756,801	\$3,667,377	\$3,187,715
Deferred Inflows of Resources: Unavailable revenue	\$51,068	\$370,440	\$63,917	\$12,693	\$2,628
Fund Balances:					
Nonspendable	\$87,345	\$88,047	\$93,705	\$980,737	\$107,697
Restricted	3,000,000	--	--	--	--
Committed ⁽⁴⁾	7,154,237	7,409,689	7,605,573	7,989,184	7,585,231
Assigned	9,303,536	10,587,139	9,431,007	10,999,817	9,149,145
Unassigned	1,694,671	418,474	653,649	753,238	704,067
Total Fund Balances (Deficits)	\$21,239,789	\$18,503,349	\$17,783,934	\$20,722,976	\$17,546,140
Total Liabilities, Deferred Inflows & Fund Balances	\$31,068,109	\$26,937,796	\$21,604,652	\$24,403,046	\$20,736,483

Source: City of Redondo Beach Comprehensive Annual Financial Reports for Fiscal Years 2015-16 through 2019-20.

- (1) General Fund cash and investments have decreased primarily as a result of higher personnel costs with a reduced number of vacancies and with increased CalPERS retirement costs. Additionally, there were one-time transfers in Fiscal Year 2015-16 from the General Fund to create a Major Facilities Reconstruction Fund and an Open Space Acquisition Fund.
- (2) \$3 million in cash is held by a fiscal agent for a reserve fund established in connection with a financing guarantee by the City for the Marine Avenue hotels project. Due to the COVID-19 Pandemic and the impact on travel and hotel stays, the City drew on the reserve fund in Fiscal Year 2019-20. See "--Transient Occupancy Tax (TOT)" below.
- (3) The City Council directs transfers of cash to other funds following the end of the fiscal year and the timing of such transfer varies. For example, in Fiscal Year 2017-18, cash was transferred retroactively to the end of the fiscal year. In Fiscal Years 2015-16 and Fiscal Year 2017-18, cash was not transferred until the following fiscal year although funds were due to the other funds as of the end of the fiscal year.
- (4) The City's Statement of Financial Principles requires the City to maintain a committed fund balance for contingencies equivalent to 8.33% (or one-month), of the General Fund's current fiscal year's operating expense budget.

Table 4
City of Redondo Beach
Statements of Revenues, Expenditures and Changes in General Fund Balance
Fiscal Years 2015-16 through 2019-20

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
<u>Revenues:</u>					
Taxes	\$64,304,427	\$62,848,867	\$67,115,547	\$68,143,559	\$66,386,725
Interdepartmental	8,176,790	8,292,178	8,170,297	8,503,283	9,417,289
Licenses and permits	1,766,741	1,755,119	1,801,502	1,555,407	1,503,909
Intergovernmental	111,661	47,498	52,230	181,079	278,418
Charges for services	7,643,605	7,255,317	7,795,165	8,337,355	7,003,574
Use of money and property	2,058,675	2,168,130	2,278,423	4,381,345	3,784,458
Fines and forfeitures	1,592,508	1,462,621	1,360,282	1,485,365	1,163,678
Miscellaneous	1,818,606	1,540,579	1,649,788	3,834,772	2,951,772
Total revenues	\$87,473,013	\$85,370,309	\$90,223,234	\$96,422,165	\$92,489,823
<u>Expenditures:</u>					
Current:					
General government	\$10,186,943	\$10,535,983	\$9,920,879	\$11,546,126	\$12,701,080
Public safety	49,406,073	52,384,559	56,565,491	57,609,081	60,204,007
Public works	6,700,223	6,905,789	6,701,108	4,323,969	4,044,131
Housing & community development	3,340,154	3,447,052	3,909,355	11,899,338	10,456,518
Cultural and leisure services	11,001,375	11,265,379	11,590,846	6,679,130	7,126,164
Capital Outlay	17,616	15,198	325,926	34,951	52,009
Total expenditures	\$80,652,384	\$84,553,960	\$89,013,605	\$92,092,595	\$94,583,909
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$6,820,629	\$816,349	\$1,209,629	\$4,329,570	\$(2,094,086)
Other Financing Sources (Uses):					
Transfers in	\$87,222	\$352,366	\$197,465	\$735,658	\$1,526,718
Transfers out ⁽¹⁾	(8,784,614)	(3,905,155)	(2,126,509)	(2,126,186)	(2,609,468)
Total Other Financing Sources (Uses)	\$(8,697,392)	\$(3,552,789)	\$(1,929,044)	\$(1,390,528)	\$(1,082,750)
Net Change in Fund Balance	(1,876,763)	(2,736,440)	(719,415)	2,939,042	(3,176,836)
Fund Balances, Beginning of Year	\$23,116,552	\$21,239,789	\$18,503,349	\$17,783,934	\$20,722,976
Fund Balances (Deficits), End of Year	\$21,239,789	\$18,503,349	\$17,783,934	\$20,722,976	\$17,546,140

Source: City of Redondo Beach Comprehensive Annual Financial Reports for Fiscal Years 2015-16 through 2019-20.

⁽¹⁾ Transfers from the General Fund for capital improvement project funding, subsidies of the Street Landscaping and Lighting Fund, and funding for future major facilities reconstruction and open space acquisition vary from year to year in accordance with the capacity of the General Fund in light of competing funding interests.

Primary General Fund Revenue Sources

Property tax, sales tax and transient occupancy tax are typically the top three sources of revenue deposited in the General Fund. However, in Fiscal Year 2019-20, transient occupancy tax dropped from the third largest source of revenue to the fifth largest source of revenue due to the COVID-19 pandemic and the restrictions on, and hesitancy to, travel. For Fiscal Year 2019-20, the top three sources of revenue were property tax, sales tax and vehicle license fees. See “-Impact of COVID-19 Pandemic” below and “RISK FACTORS – COVID-19 Pandemic.”

The table below provides the amount of property tax, sales tax, transient occupancy tax, vehicle license fee, and utility users tax revenues, which are the largest General Fund revenues, and the percentage of

General Fund revenues that each represents for Fiscal Year 2017-18 through 2019-20, as well as projected for Fiscal Year 2020-21.

Table 5
City of Redondo Beach
Largest General Fund Tax Revenues
Fiscal Years 2017-18 through 2019-20

Revenue Source	2017-18		2018-19		2019-20		2020-21 ⁽²⁾	
	Revenues	% of General Fund Revenues	Revenues	% of General Fund Revenues	Revenues	% of General Fund Revenues	Revenues	% of General Fund Revenues
Property Tax ⁽¹⁾	\$26,547,311	29.4%	\$27,883,984	28.9%	\$29,167,135	31.5%	\$29,900,000	34.7%
Sales Tax	10,185,208	11.3	10,578,527	11.0	9,716,883	10.5	9,340,000	10.8
Transient Occupancy Tax	9,172,934	10.2	8,816,739	9.1	6,335,445	6.9	2,700,000	3.1
Vehicle License Fee	7,187,073	8.0	7,557,331	7.8	7,952,004	8.6	8,405,000	9.8
Utility Users Tax	6,928,129	7.7	6,757,622	7.0	6,824,873	7.4	6,400,000	7.5

Source: City of Redondo Beach

⁽¹⁾ Excluding homeowners' exemptions

⁽²⁾ Projected.

Impact of COVID-19 Pandemic

The fiscal climate of the City changed significantly beginning in the last quarter of Fiscal Year 2019-20 as a result of the COVID-19 pandemic. The mandated closure of several businesses and occupancy limits have had an adverse impact on the City's sales tax and transient occupancy tax revenue.

With the onset of the COVID-19 pandemic, much of the City's economic development efforts focused on finding creative ways to allow the local business community to continue to operate within the regulatory framework set for by the State of California and the Los Angeles County Department of Public Health. The City approved "parklets" that provide outdoor space for local business to operate. In addition, the City provided grant funding to ensure these parklets could be modified to operate during the fall and winter. During the initial stages of the pandemic, the Redondo Beach Pier and adjacent areas were closed by the County Department of Public Health. In response to the regulatory framework, the City instituted a Temporary Use Permit for businesses at the Pier to allow them to use portions of the public right of way to set up outdoor dining and retail areas. This program was quite successful with nearly every business at the Pier participating in some capacity.

In spite of the COVID-19 pandemic, property values (and related tax revenue) in the City continue to grow driven in large part by the City's close proximity to the Los Angeles Airport (LAX), the Silicon Beach jobs center, the community's high quality of life, and the continued excellence and success of the Redondo Beach Unified School District. A primary negative General Fund revenue trend that continues to persist through Fiscal Year 2020-21 is the decline of sales tax revenue, which is driven in large part by the continued deterioration of the South Bay Galleria that began with the departure of Nordstrom department store in 2015. As noted earlier, this trend was further exacerbated starting in the Spring of 2020 due to the impacts of the business closures and capacity limits mandated by the State and Local COVID-19 related emergency orders. See "--Sales Taxes" below.

Federal COVID-19 funding. On March 27, 2020, in response to the economic fallout of the Coronavirus pandemic in the United States, Congress passed the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, which provided \$2.2 trillion in economic stimulus funding through a variety of channels. The State of California received a \$500 million allocation to provide to cities which did not receive a direct federal allocation through the CARES Act. The City entered into an agreement with the State of California in July 2020 to receive an allocation of the CARES Act funding in the amount of \$827,184. The funding was received in six monthly installments of \$137,864, with the first installment

received by the City in July 2020. This funding was for the reimbursement of costs incurred by the City since the start of the pandemic.

On March 11, 2021, the President signed the \$1.9 trillion American Rescue Plan Act of 2021. Approximately \$350 billion of these funds are dedicated to eligible state, local, territorial and Tribal governments. The allocation to the City is \$6,801,080.00, with the first half paid to the City in Fiscal Year 2020-21 and the second half 12 months later. According to the Treasury's Interim Final Rule, the money can only be used in the following ways:

a) To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;

b) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers;

c) For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and

d) To make necessary investments in water, sewer, or broadband infrastructure.

In addition, Congress clarified two types of uses which do not fall within these four categories: (1) funds may not be used for, depositing funds into any pension fund and (2) eligible uses do not include directly or indirectly offsetting a reduction in the net tax revenue of a state or territory resulting from a change in law, regulation, or administrative interpretation.

Property Taxes

The City's largest revenue source, property tax, is imposed on real property (land and permanently attached improvements, such as buildings) and tangible personal property (moveable property) located within the City. Property is initially assessed by the County Assessor at a tax rate of 1.0% of the assessed value. The assessed value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduced in the event of declining property value. The City receives revenues equal to 16.5% of the tax rate from the County of Los Angeles - Auditor/Controller's Office, or the equivalent of 16.5 cents out of each dollar of property tax collected through property tax bills. See "LIMITATIONS ON REVENUES AND APPROPRIATIONS - Property Tax Limitations - Article XIII A".

The City's property tax valuations continue to rise. As shown in the table below, the Fiscal Year 2020-21 citywide assessed valuation experienced a positive change of \$1.064 billion, or 6.0%, to \$18.6 billion. The City's assessed valuation amount is derived 82.2% from residential properties, 8.3% from commercial properties, 3.4% from industrial properties, and the remaining 6.1% from vacant, institutional, and other properties. During Fiscal Year 2019-20, property tax revenue (including homeowners' exemptions) increased \$1,283,141, or 4.6%, to \$29.3 million. For Fiscal Year 2020-21, the City is projecting a property tax revenue (including homeowners' exemptions) increase of \$727,880, or 2.5%, to \$30.0 million. This increase reflects the continued improving housing market resulting from low mortgage interest rates and the City being a desirable location. Improvements are seen in the median sale price of a single-family home in Redondo Beach at an all-time high of \$1,245,000 (an \$80,000 or 6.9% increase). Economic and other factors beyond the City's control, such as economic recession, deflation or land values, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other natural disaster could cause a reduction in the assessed value of taxable property in the City.

A summary of the City's assessed values (secured and unsecured) of taxable property for the last ten fiscal years is as follows:

Table 6
Assessed Valuation
Fiscal Years 2011-12 to 2020-21

<u>Fiscal Year</u>	<u>Secured Valuation</u>	<u>Unsecured Valuation</u>	<u>Total Valuation</u>	<u>Percent Change of Total Valuation</u>
2011-12	\$11,717,916,944	\$486,734,540	\$12,204,651,484	1.34%
2012-13	11,987,533,462	541,195,068	12,528,728,530	2.66
2013-14	12,486,505,650	518,215,050	13,004,720,700	3.80
2014-15	13,137,460,065	480,184,831	13,617,644,896	4.71
2015-16	13,796,271,161	493,995,367	14,290,266,528	4.94
2016-17	14,605,975,878	448,927,228	15,054,903,106	5.35
2017-18	15,414,582,786	503,734,023	15,918,316,809	5.74
2018-19	16,247,772,674	502,134,122	16,749,906,796	5.22
2019-20	17,060,014,848	521,213,745	17,581,228,593	2.05
2020-21	18,086,547,437	559,594,692	18,646,142,129	6.06

Source: City of Redondo Beach, based on information provided by the Los Angeles County Auditor-Controller.

Taxable valuation within the City is established by the Los Angeles County Assessor, except for utility property, which is assessed by the State Board of Equalization. Article XIII A of the State Constitution provides that, beginning with the 1978-79 Fiscal Year, property taxes in California are limited to one percent of full cash value, except for taxes to pay debt service on indebtedness approved by the voters prior to July 1, 1978. Article XIII A defines full cash value as the County Assessor's valuation of real property as shown on the 1975-76 tax bill ("base year"), except in the case of newly-constructed property or property which undergoes a change in ownership. Yearly taxable value increases following the base year are limited to the growth in the consumer price index, but may not exceed two percent annually. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Proposition 13 Limitations. Article XIII A of the State of California Constitution imposes limits on annual adjustments to real property assessed values and to the amount of *ad valorem* tax that may be levied on real property. See "LIMITATIONS ON REVENUES AND APPROPRIATIONS – Property Tax Limitations – Article XIII A."

ERAF. In response to California's past severe financial and budgetary distress, the State Legislature adopted legislation impacting the City's allocation of revenues from property taxes, including, in particular, provisions relating to the Education Revenue Augmentation Fund ("ERAF"). Beginning in Fiscal Year 1992-93 and in various fiscal years thereafter, the State required local governments to remit a portion of their property tax revenues to ERAF. The Fiscal Year 2005-06 state budget required a \$13 billion shift from local governments to ERAF. While the State budgets for each of Fiscal Years 2006-07 through 2020-21, as well as the proposed Fiscal Year 2021-22 budget, did not contain provisions for additional ERAF property tax shifts from cities (although the 2008-09, 2009-10, and 2010-11 State Budgets contained provisions for additional ERAF property tax shifts from redevelopment agencies), there can be no assurance that future State Budgets will not require additional ERAF property tax shifts from the City.

Tax Levies and Delinquencies. Taxes are levied by Los Angeles County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Effective July 1, 1983, real property that changes ownership or is newly constructed is reassessed at the time the

change in ownership occurs or the new construction is completed. If the property is reassessed at a higher value, one or more supplemental tax statements will be added to the annual tax bill. If the property is reassessed at a lower value, the property owner may receive a refund.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. If the first installment is not paid by December 10, a ten percent delinquent penalty is added to any unpaid balance. If the second installment is not paid by April 10, a ten percent penalty plus a charge of \$10 is added to the unpaid balance. Since supplemental tax bills are mailed throughout the year, they may or may not be due or delinquent at the same time as annual tax bills. The same penalties and charges accrue for delinquent supplemental taxes as for delinquent annual taxes.

For counties that have adopted the Teeter Plan (an Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds, pursuant to Sections 4701 through 4717 of the California Revenue and Taxation Code), local agencies would receive 100 percent of the amount of the taxes due to such agencies regardless of any default in payment of such taxes from property owners. Los Angeles County has not adopted the Teeter Plan.

Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5 percent of the unpaid tax per month to the time of redemption, plus costs and a redemption fee. If taxes remain unpaid for a period of five years following tax default, the property becomes subject to the County Tax Collector's power of sale. Properties may be redeemed under an installment plan by paying the current year's taxes, plus an initial payment of twenty percent of the redemption amount and an installment setup fee. The installment plan of redemption allows for the payment of delinquent taxes over a five-year period beginning the date the installment plan account is opened. An installment plan account can be opened any time after the property becomes tax defaulted and within five years of that date. After the five-year period an installment plan account may not be opened, as the property becomes subject to the County Tax Collector's power of sale.

Property taxes on the unsecured roll are due as of the January 1 lien date and, in general, become delinquent on August 31 and are thereafter subject to a ten percent penalty plus a collection fee. If unsecured taxes are unpaid on October 31, an additional penalty of 1.5 percent attaches to them on the first day of each month until paid. The City has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the clerk of the court specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

A summary of the City's property tax levies and collections for the last ten fiscal years is as follows:

Table 7
CITY OF REDONDO BEACH
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years Ending June 30

Fiscal Year (ending June 30)	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy
2011	\$25,809,271	\$25,195,837	97.62%	\$829,417	\$26,025,253	100.84%
2012	26,025,500	25,493,811	97.96	586,821	26,080,632	100.21
2013	27,652,911	27,193,269	98.34	567,962	27,761,231	100.39
2014	29,413,514	28,953,089	98.43	487,130	29,440,219	100.09
2015	31,503,828	31,035,789	98.51	451,369	31,487,158	99.95
2016	32,883,797	32,440,070	98.65	405,762	32,845,833	99.88
2017	34,125,966	33,690,049	98.72	388,499	34,078,548	99.86
2018	35,718,202	35,230,091	98.63	383,301	35,613,392	99.71
2019	37,267,914	36,719,102	98.53	364,627	37,083,729	99.51
2020	39,182,819	38,271,140	97.67	404,113	38,675,253	98.70

Source: City of Redondo Beach, based on information provided by the County of Los Angeles Auditor/Controller.

Redevelopment Dissolution. The State's Community Redevelopment Law (codified in Part 1 of Division 24 of the California Health and Safety Code) authorized the redevelopment agency of any city or county to receive an allocation of tax revenues resulting from increases in assessed values of properties within designated redevelopment project areas (the "incremental value") occurring after the year the project area is formed. In effect, local taxing agencies, such as the City, realize tax revenues only in the assessed value of such property at the time the redevelopment project is created for the duration of such redevelopment project. Although Assembly Bill No. 26 ("AB X1 26"), enacted on June 29, 2011 as Chapter 5 of Statutes of 2011, statutorily dissolved redevelopment agencies as of February 1, 2012, the enforceable obligations of dissolved redevelopment agencies, continue to be paid from property taxes derived from such incremental value until the enforceable obligations are paid in full in accordance with Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 ("AB 1484"), enacted as Chapter 26, Statutes of 2012, and as such statutory provisions may further be amended from time to time (as amended, the "Dissolution Act"). Under the Dissolution Act, taxing entities, such as the City, are to receive distributions (in proportion to such taxing entity's share of property tax revenues in the tax rate area for the applicable fiscal year) of residual amounts of property taxes attributable to incremental value on each June 1 and January 2, commencing June 1, 2012, after payment of (i) tax sharing obligations established previously pursuant to the Community Redevelopment Law, (ii) enforceable obligations of the successor agency to the former redevelopment agency, and (iii) an administrative cost allowance to such successor agency. As enforceable obligations of the former redevelopment agency and its successor agency are paid and retired, residual amounts of property tax revenues attributable to redevelopment project area incremental value are expected to increase over time.

Top Tax Payers. The top ten taxpayers, based on local secured and unsecured assessed values of taxable property in the City, as shown on the Fiscal Year 2020-21 tax roll, are set forth in the following table:

Table 8
CITY OF REDONDO BEACH
TOP TEN TAXPAYERS
Fiscal Year Ended June 30, 2021⁽¹⁾

Taxpayer	Business Category	2020-21 Assessed Valuation	Percentage of Total Assessed Valuation
Northrop Gruman Systems Corporation	Aerospace Company	\$533,495,194	2.86%
South Bay Center SPF LLC	Shopping Center	400,132,097	2.15
The Kobe Group Inc.	Apartment Building	79,468,269	0.43
Noble House Recp Hotel Venture LLC	Hotel	73,343,336	0.39
Redondo Distribution Center LLC	Warehouse/Distribution	55,961,741	0.30
Redondo Owner LLC	Assisted Living	54,566,568	0.29
HPT IHG 2 Properties Trust	Hotel	53,578,459	0.29
AES Redondo Beach, LLC	Power Plant	52,098,844	0.28
LPF Redondo Beach Inc.	Strip Mall	51,294,682	0.28
MPG Doolittle 1 LLC Et Al	Real Estate	49,500,000	0.27
Total		\$1,403,439,190	7.53%

Source: City of Redondo Beach based on data from Los Angeles County.

Note: The amounts shown above include assessed value data for both the City and the Successor Agency (former Redevelopment Agency)

(1) Based on sales through April 30, 2021.

Sales Taxes

The City's second largest revenue source is sales tax. The sales tax rate in the City is 9.50%. Redondo Beach receives 1% of taxable sales from the State Department of Tax and Fee Administration. Fiscal Year 2015-16 was the final year of the revenue swapping procedure commonly referred to as the "triple flip". With the triple flip, twenty-five percent of the City's traditional sales tax base was committed to the State for deficit reduction bonds and backfilled with the same amount but distributed on the same basis as property tax revenue to the City.

The departure of Nordstrom from the City to a neighboring city at the end of calendar year 2015 has greatly impacted sales tax revenue, including a one-time negative adjustment made by the State Board of Equalization in Fiscal Year 2016-17. Another negative impact to Fiscal Year 2017-18 and Fiscal Year 2018-19 sales tax revenue was the State's transition to a new software and reporting system which caused a delay in the processing of payments.

The City received \$9.72 million in sales tax revenue in Fiscal Year 2019-20, a decrease over the previous Fiscal Year 2018-19 sales tax revenue of \$10.06 million. Sales tax revenue decreased substantially in Fiscal Year 2019-20 due to the COVID-19 pandemic-related economic conditions. The lack of sales in the categories of restaurants and hotels, general consumer goods, autos and transportation, and fuel and service stations were the major contributors to the decline in revenue while online and food and drug sales somewhat tempered the losses.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions is presented in the following table.

Table 9
City of Redondo Beach
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Taxable Transactions in Thousands of Dollars)

Calendar Year	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015	1,661	\$870,917	2,523	\$979,068
2016	1,621	798,729 ⁽¹⁾	2,483	916,566
2017	1,640	792,499	2,529	914,234
2018	1,634	764,376	2,641	894,773
2019 ⁽²⁾	1,660	768,946	2,717	902,091

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

⁽¹⁾ Reflects the departure of Nordstrom from the City at the end of calendar year 2015.

⁽²⁾ Latest data available.

The following table provides a summary of taxable transactions by category in the City for calendar years 2016 through 2020.

Table 10
CITY OF REDONDO BEACH
TAXABLE TRANSACTIONS
(In Thousands)

	2016	2017	2018	2019	2020
Motor Vehicle and Parts	\$75,868	\$79,050	\$57,806	\$55,433	\$57,083
Home Furnishings & Appliances	61,264	59,289	51,819	50,552	40,208
Building Material and Garden	6,998	7,487	7,813	7,617	7,716
Food & Beverage Stores	88,743	91,446	92,409	94,315	113,251
Gasoline Outlets	49,983	49,869	57,814	60,398	35,896
Clothing	111,701	101,277	93,898	94,269	46,649
General Merchandise stores	96,726	91,690	92,986	88,780	68,317
Food Services & Drink	218,379	224,578	226,182	235,463	158,810
Other retail stores	89,067	87,813	83,649	82,119	71,552
Total Retail Stores	798,729	792,499	764,376	768,946	599,482
All Other Outlets	117,837	121,735	130,397	133,145	93,156
Total All Outlets	916,567	914,234	894,773	902,091	692,638

Source: California State Board of Equalization Statistical Research and Consulting Division for calendar years 2016 and 2017. City of Redondo Beach, based on data from California Department of Tax and Fee Administration, Statistical Research and Consulting Division for calendar years 2018 through 2020.

Largest Sales Taxpayers. The 25 largest payers of sales taxes in the City for Fiscal Year 2019-20 comprised 44% of sales tax revenue in the City. The following is a table of the 25 largest sales taxpayers in the City in alphabetical order for Fiscal Year 2019-2020:

Table 11
CITY OF REDONDO BEACH
25 LARGEST SALES TAXPAYERS
Fiscal Year 2019-20

Aramark Services	Petco
Bluewater Grill	Platinum Auto Haus
Cheesecake Factory	Ralphs
Chevron	Rite Aid
Del Amo Motorsports	Shell
Ferguson Enterprises	Smart & Final
Hertz Rent A Car	Target
In N Out Burger	TJ Maxx
Kohls	Total Wine & More
Living Spaces Furniture	Ulta Beauty
Macys	United Oil
Nordstrom Rack	Vons
Northrop Grumman	

Source: City of Redondo Beach

Transient Occupancy Tax

In most years, the City's third largest revenue source is transient occupancy tax ("TOT"). However due to the COVID-19 Pandemic, TOT was the City's fifth largest revenue source in Fiscal Year 2019-20. TOT is imposed on occupants of hotel, motel, inn, tourist home or other lodging facilities, unless such occupancy is for 30 days or longer. The tax is applied to the customer's lodging bill at a rate of 12%, which was increased 2% in July 2005, and substantially enhanced revenues. Through Fiscal Year 2016-17, generally 10% of the TOT received by the City was contributed to the Redondo Beach Chamber of Commerce and Visitors Bureau to support marketing and tourism in the City. This amount is not netted against revenues, but rather reflected in the City's expenditures.

In 2012, the City entered into transactions with a developer to develop three hotels located on Marine Avenue adjacent to the 405 freeway, known as the Marriott Residence Inn, the Hilton Garden Inn and the Homewood Suites Hotel (the "Marine Avenue Hotels"). In order to provide adequate security for the construction loans for the Marine Avenue Hotels project, in addition to the developer's \$1 million reserve, the City agreed to apply a portion of the TOT revenues and real property taxes to be received by the City generated from the Marine Avenue Hotels to create a reserve account. For the Marine Avenue Hotels, 8.33% of the TOT received by the City was contributed and netted against revenues until the reserve account became fully funded at \$3 million in Fiscal Year 2016-17.

The City's TOT revenue was experiencing positive growth prior to the onset of the COVID-19 pandemic. In Fiscal Year 2015-16, the Marine Avenue Hotels reserve account requirement was reduced from \$8.5 million to \$3.0 million which allowed the City to begin receiving, in March 2016, the TOT revenue. Additionally, the \$3.0 million reserve account was recorded for the first time on the City's books as a one-time revenue with the fund balance impact classified as restricted. Fiscal Year 2016-17 revenue included the first full year's TOT revenue from two of the Marine Avenue Hotels (Marriot Residence Inn and the Hilton Garden Inn), and Fiscal Year 2017-18 revenue included the first full year's TOT revenue from the new Homewood Suites Hotel on Marine Avenue and the Shade Hotel on the waterfront. In the event the

developer is unable to pay debt service on its Marine Avenue Hotels loans, the developer's \$1 million reserve would be accessed first before the City's \$3 million reserve would be accessed. In such event, the City would be required to replenish the reserve from the TOT and property taxes generated from the Marine Avenue Hotels up to a maximum of \$2.5 million per year.

Fiscal Year 2019-20 decreased revenue of \$6.3 million reflects closed and nearly empty hotels during the final quarter of the fiscal year as a result of the Pandemic, together with drawdowns of the Marine Avenue hotel reserve account. See Table 3, footnote 2 under "CITY FINANCIAL INFORMATION - Financial Statements."

Vehicle License Fee

Typically, the City's fourth largest revenue source is vehicle license fees ("VLF"). However, due to the decline in TOT revenue resulting from hotel stay declines due to COVID-19 related travel restrictions and hesitancy to travel, VLF revenues were larger than TOT revenues resulting in the third largest revenue source for the City in Fiscal year 2019-20. In Fiscal Year 2019-20, VLF revenue totaled \$8.0 million, increasing \$394,673, or 5.2%, from the prior year. These increases comprise gains in both property tax in lieu of VLF and motor vehicle in-lieu tax revenues of \$373,445 and \$21,228, respectively.

VLF (property tax in lieu of VLF and motor vehicle in-lieu tax) and is imposed by the State on owners of registered vehicles for the privilege of operating a vehicle on public highways. A portion of the tax is disbursed to cities based on the proportion that the population of each city bears to the total population of all cities in the State (a per capita formula). The license fee paid to the State by vehicle owners is 0.65% of the market value of the motor vehicle; however, cities are due 2% of the market value of the motor vehicle. Since there is a discrepancy of 1.35% in what the State collects and what cities are due, the State backfills the additional 1.35% from its General Fund in the form of property tax revenue. Since Fiscal Year 2011-2012, the City has seen increased VLF revenue due to the growth in property tax in lieu of VLF with relatively flat motor vehicle in-lieu tax.

Utility Users Tax

Typically, the City's fifth largest revenue source is utility users' tax ("UUT"). However, due to the decline in TOT revenue resulting from hotel stay declines due to COVID-19 related travel restrictions and hesitancy to travel, UUT revenues were larger than TOT resulting in the fourth largest revenue source for the City in Fiscal year 2019-20. UUT revenue for Fiscal Year 2019-2020 totaled \$6.8 million, reflecting an increase from the prior year of \$67,251 or 1.0%.

UUT is imposed on consumers of electric, gas, cable services, water and telephone services. Federal and state governmental agencies and pay telephone users are exempt. Each city sets its UUT rate, and the City's rate is 4.75%. The City placed a measure on the March 2009 ballot to extend its existing UUT to include additional forms of telecommunications without increasing the tax rate. This measure was approved by 75% of the voters. Therefore, the long-term viability of telecommunications-based UUT revenue has been secured. Additionally, in response to AB 1717 and as approved by the State Board of Equalization, the City began collecting UUT from the sale of prepaid wireless devices in Fiscal Year 2015-16. There is no sunset on the UUT.

Fiscal Year 2020-21 Adopted Budget

The City Council adopted the Fiscal Year 2020-21 Adopted Budget in June 2020.

General Fund Revenues

General Fund revenues were projected to decrease by \$8,055,764, or the equivalent of 8.4%, in Fiscal Year 2020-21. The below table shows the primary revenue sources along with the percent change compared to the Fiscal Year 2019-20 midyear report.

	2019-20 Midyear Projected General Fund Revenues	2020-21 Budget Projected General Fund Revenues	Percent Change
Property Tax	\$29,000,000	\$29,200,000	0.7%
Sales Tax	10,600,000	9,340,000	-11.9
Transient Occupancy Tax	8,700,000	2,850,000	-67.2
Property Tax in Lieu of VLF	7,875,000	8,150,000	3.5
Utility Users Tax	6,700,000	6,400,000	-4.5
Property Transfer Tax	2,800,000	2,500,000	-10.7
Parking Meter Fees	2,300,000	2,070,000	-10.0
Franchise Fees	1,700,000	1,700,000	0.0
Parking citations	1,250,000	1,125,000	-10.0
Business License Tax	1,300,000	1,250,000	-3.8
Other	16,860,953	14,415,189	-14.4
Total Revenue from Outside Sources	\$87,055,953	\$79,000,189	-9.2
Overhead Charges	9,417,289	9,417,289	0.0
Total Revenue	\$96,473,242	\$88,417,478	-8.4

Property Tax. Property tax (increasing 0.7%), and the related property tax in lieu of VLF (increasing 3.5%), are the only revenue sources that were expected to increase from the 2019-20 midyear estimates.

Sales Tax. The pandemic-related economic conditions have had an immediate and continuing effect on sales tax revenues with the lack of sales in the categories of restaurants and hotels, general consumer goods, business and industry, and autos and transportation contributing to the anticipated 11.9% decline in Fiscal Year 2020-21.

Transient Occupancy Tax. The City's General Fund revenue source most impacted by the COVID-19 pandemic is transient occupancy tax. Closed and nearly empty hotels were projected to remain in effect through Fiscal Year 2020-21. Both greatly reduced occupancy and reduced average daily room rates are reflected in the revenue's 67.2% decrease.

Utility Users' Tax. Utility users' tax was projected to decrease by 4.5% as the decreased usage of utilities (primarily water and electric) during the pandemic-related business closures is not offset by the increased residential usage as more individuals work from home.

Together, these four revenue sources comprise approximately 55% of the City's General Fund revenue and, when combined with other reduced General Fund revenues, account for a total loss from the Fiscal Year 2019-20 midyear projections of approximately \$8 million.

General Fund Expenditures

Fiscal Year 2020-21 General Fund expenditures were projected to total \$96,711,993. This represents no increase in expenditure levels compared to the midyear Fiscal Year 2019-20 budget as reflected in the following table:

	2019-20 Midyear Projected General Fund Expenditures	2020-21 Budget Proposed General Fund Expenditures	Percent Change
Personnel	\$63,078,025	\$63,971,807	1.4%
Maintenance and Operations	8,317,194	7,635,405	-8.2
Subtotal	71,395,219	\$71,607,212	0.3
Internal Service Fund Allocations	25,104,781	25,104,781	0.0
Capital Outlay	260,000	--	-100.0
Total Expenditures	\$96,760,000	\$96,711,993	0.0

The Proposed General Fund expenditures for Fiscal Year 2020-21 were \$71,607,212, excluding internal service fund allocations and capital outlay. This represents a decrease of \$48,007 when compared to the midyear budget for Fiscal Year 2019-20. Decreases from the inclusion of one-time appropriations in the midyear amounts nearly offset the increased ongoing appropriations in the proposed amounts. The Fiscal Year 2019-20 one-time appropriations include funding for employee wage and benefit increases, homeless issues, tree trimming, and parking meter replacements. The Fiscal Year 2020-21 increased ongoing appropriations include funding for the CalPERS unfunded liability payment and public safety wage and benefit increases.

- Personnel costs were projected to increase by 1.4% to \$63,971,807 with the Fiscal Year 2019-20 onetime appropriations for employee wage and benefit increases more than offset the Fiscal Year 2020-21 higher costs for CalPERS costs and ongoing public safety wage and benefit increases.

- 432 positions are included in the core budget compared to the City's peak number of 522 in Fiscal Year 1990-91; however, staff is recommending reducing the full-time positions to 398.

- Maintenance and operations and capital outlay costs do not increase from midyear amounts unless recommended by the City Manager for a specific purpose.

- Maintenance and operations expenses have decreased since the Fiscal Year 2019-20 midyear budget with the inclusion of one-time appropriations in the midyear amounts.

- Internal service fund allocations were adjusted with the Fiscal Year 2019-20 midyear budget review and will not be adjusted again until the Fiscal Year 2020-21 midyear budget review unless recommended by staff.

3rd Quarter Projections for Fiscal Year 2020-21

As of March 31, 2021 (with 75% of the fiscal year 2020-21 complete), General Fund revenues were at 61.3% of budgeted projections and expenditures were at 72.8%, as shown in the table below. Revenues and expenditures are generally on target based on past fiscal year trends through the third quarter.

General Fund Balance	FY 2020-21 Adjusted Budget ⁽³⁾	FY 2020-21 YTD Actual⁽⁴⁾ 3rd Quarter	FY 2020-21 Percent of Budget
Beginning Balance ⁽¹⁾	\$ 2,583,598	\$ 2,583,598	100.0%
Revenue	86,139,077	52,822,259	61.3
Expenditures	92,307,250	67,195,333	72.8
Transfer In	6,264,369	1,650,837	26.4
Transfers Out	2,679,794	1,650,837	61.6
Ending Balance ⁽²⁾	--	(11,789,749)	n/a

Source: City of Redondo Beach

- (1) The beginning balance presented in the following schedule is from the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2020. This beginning balance includes only non-spendable amounts for prepaid costs; assignments for encumbrances and carryovers; and unassigned fund balance.
- (2) The ending balance is expected to change due to the timing of revenue receipts.
- (3) The adjusted budget presented in the following schedule includes all adjustments made by the City Council as of March 31, 2021, including carryover appropriations approved in November and midyear adjustments approved in February.
- (4) The year-to-date ("YTD") actual revenues and expenditures reflect those received or expended by March 31, 2021. Revenues are most affected by timing issues.

As of March 31, 2021, the City has received 61% of the City's Fiscal Year 2020-21 budgeted amounts for its top ten general fund revenue sources, which is slightly higher than the same time period in Fiscal Year 2019-20. The City anticipates that for Fiscal Year 2020-21, property tax revenues will exceed projections by approximately \$200,000 and that sales tax revenues will exceed projections by approximately \$50,000, primarily due to increased online sales. With changes to COVID-19 related restrictions on travel and large gatherings eased in the final quarter of Fiscal Year 2020-21, the City projects TOT revenues could exceed budgeted projections by up to \$100,000. The City projects expenditures for Fiscal Year 2020-21 to be in line with budgeted amounts.

Top Ten Revenues	FY 2020-21 Adjusted Budget	FY 2020-21 YTD Actual 3rd Quarter	FY 2020-21 Percent of Budget
Property Tax ⁽¹⁾	\$29,900,000	\$17,377,963	58.1%
Sales Tax ⁽²⁾	9,340,000	5,624,421	60.2
Transient Occupancy Tax	2,700,000	1,922,276	71.2
Property Tax in Lieu of VLF ⁽³⁾	8,375,000	4,188,095	50.0
Utility Users Tax ⁽⁴⁾	6,500,000	4,479,587	68.9
Property Transfer Tax ⁽⁵⁾	2,500,000	2,097,127	83.9
Parking Meter Fees	2,300,000	1,735,852	75.5
Franchise Fees ⁽⁶⁾	1,650,000	688,295	41.7
Business License Tax	1,250,000	951,667	76.1
Parking Citations ⁽⁷⁾	1,075,000	918,913	85.5
Total	\$65,590,000	\$39,984,196	61.0%

Source: City of Redondo Beach

- (1) The fiscal year's largest secured property tax apportionment is not received until April.
- (2) The final two current year sales tax remittances are not received until after the end of the fiscal year (in July and August). The City's sales tax consultant is projecting that Fiscal Year 2020-21 sales tax revenue will exceed the adjusted budget estimate by approximately \$50,000.
- (3) Annual property tax in lieu of VLF revenue is distributed in just two payments. Those distributions are made in January and May of each year.
- (4) With utility users' tax paid in arrears monthly and March's revenue not received until April, there is potential for this revenue source to exceed the budgeted amount.
- (5) The City anticipates that this revenue source will exceed the budgeted amount as third quarter year-to-date actuals, which reflect property transfers only through February, are greater than the expected 75% of budget.
- (6) Because franchise fees are calculated on a completed quarterly basis, the third quarter's revenue will not be received until the fourth quarter.
- (7) The City anticipates parking citation revenues to exceed the budgeted amount.

Proposed Fiscal Year 2021-22 Budget

The City is currently reviewing the Proposed Budget for Fiscal Year 2021-2022. The total annual budget for all funds is \$174.1 million, including the total General Fund budget of \$96.9 million. General Fund revenues are projected to increase by \$5.9 million, or 6.8%, in Fiscal Year 2021-2022. Property taxes constitute the largest single source of General Fund revenue and show a 4.7% gain, reflecting an incremental improvement in property values as assessed in calendar year 2020 partially offset by an anticipated decrease in Successor Agency residual distributions due to a court ruling allowing the County to retain a greater percentage of the revenue. Sales tax is the second largest source of General Fund revenue and is projected to increase 8.5% to nearly pre-pandemic levels. Transient occupancy taxes (TOT) were hardest hit by the COVID-19 closures and restrictions. TOT revenue, even with a 40.7% increase, will remain well below amounts received in Fiscal Year 2018-2019 and prior years. The City projects most other large General Fund revenue sources will increase, although not to pre-pandemic levels.

Federal funds from the American Rescue Plan Act of 2021, which the City will be receiving will help balance the Fiscal Year 2021-2022 budget. The City will be receiving \$6.8 million, with the first half to come in Fiscal Year 2020-2021 and the second half twelve months later. Staff is recommending the funds be used to offset lost General Fund revenues in each of the fiscal years as well as those in the Harbor Uplands Fund. See "CITY FINANCIAL INFORMATION -- Impact of COVID-19 Pandemic."

The General Fund revenue projections for Fiscal year 2021-22 exceed Fiscal Year 2020-21 midyear review numbers by \$5.9 million. The table below shows the revenue projections for Fiscal Year 2021-22 as compared to the Fiscal Year 2020-21 midyear actual numbers:

General Fund Revenue Projections

	<u>Fiscal Year 2020-21 Midyear Review</u>	<u>Fiscal Year 2021-22 Proposed</u>	<u>Variance</u>
Sales Taxes	\$9,450,000	\$10,250,000	\$800,000
Property Taxes	29,900,000	31,000,000	1,100,000
Primary Revenues	\$39,350,000	\$41,250,000	\$1,900,000
Transient Occupancy Tax	2,700,000	4,100,000	1,400,000
Other Revenues	34,679,226	37,262,307	2,583,081
Total Revenue from Outside Sources	\$76,729,226	\$82,612,307	\$5,883,081
Overhead Charges	9,379,851	9,379,851	--
Total General Fund Revenues	\$86,109,077	\$91,992,158	\$5,883,081

Major Projects in the City

There are four major projects located in the City which are expected to increase revenues in the future:

1) **Waterfront Revitalization.** The City is planning on re-energizing its waterfront pier and leasing its storefronts to new business tenants and hosting events nearby such as the Beach Life Music Festival to be held in September 2021 and Swim Across America to be held in October 2021. The City is currently reviewing proposals from consultants to assist the City with improving and enhancing various public amenities within the City's waterfront, commonly referred to as King Harbor.

2) **AES Power Plant Site Redevelopment.** The approximately 51 acre site of the AES power plant will be developed into public open space and a mixed use development. The plant changed owners in 2020 and the AES Power Plant was anticipated to stop energy generation activities by 2020. The State Water Resources Control Board extended the plant's operations for another year (and is proposing an additional two year extension), as a back-up source for the State's electrical grid during summer heat waves, when power

demands increase. When the plant does retire, the site is likely to be developed into uses such as public open space, office, retail and hotel. In addition, the Los Angeles County Board of Supervisors voted unanimously to move forward with forming a special financing district for this site, which once implemented, will divert property tax revenue from the County back to the City for development of public amenities, including restoration of on-site wetlands and coastal open space.

3) **South Bay Galleria Redevelopment.** The South Bay Galleria mall was expected to undergo redevelopment based on a mixed-use development plan initially approved in early 2019. In 2020, the Galleria was sold to another development firm, L. Catterton Real Estate (LCRE). Revised and updated plans are expected to be presented to the City in Summer 2021 with an expected groundbreaking in 2022. The mall will be redeveloped as a mixed use development with repurposed retail square footage, a hotel, multifamily residential units, office space, and public open space. The redevelopment is expected to help expand the City's sales tax base and recover sales tax losses from the closing of the Nordstrom Department Store in 2015.

4) **Artesia/Aviation Boulevard Corridor Improvements.** The City plans on improving the Artesia and Aviation Boulevard commercial corridors by relaxing some zoning issues, adjusting parking and creating public parklets in the area with a goal to improve bicycle and transit access, accommodate outdoor dining, attract new businesses and encourage reinvestment by existing property owners. As part of the approval of the redevelopment of the South Bay Galleria, the developer will provide \$2 million towards the improvement of the Artesia corridor.

Reserve Policies

On November 17, 1998, the City Council adopted the Statements of Financial Principles intended to guide the financial management of the City, which requires a "minimum reserve" for contingencies to be 8.33% (or one month) of the General Fund's current fiscal year's operating expense budget. On October 9, 2007, the City amended such policy to require that the "reserves" or fund balances designated for other post-employment benefits (OPEB) be maintained at appropriate levels as authorized by the City Council.

In addition, the City's Financial Contingency Planning Administrative Policy adopted in December 2004 requires the City to maintain a committed fund balance reserve for contingencies equivalent to 8.33% (or one month) of the General Fund's current fiscal year's operating expense budget. The City is currently in compliance with such policies.

Investment Portfolio

The City invests all idle cash in various investment instruments, as authorized within the City's Statement of Investment Policy. The City Treasurer employs a buy and hold philosophy of cash management, ensuring the full return of all investment principal. In February of 2013, the City commenced utilization of FHN Financial Main Street Advisors in providing non-discretionary investment management services to the City Treasurer. Composition of the City's investment portfolio consists of a diversified mix of U.S. Treasury Securities, Federal Agency Securities, FDIC insured collateralized deposits, and a blend of A-AAA rated Corporate Medium Term Notes, all of which are structured along a five-year ladder maturity schedule. In addition, sufficient portfolio liquidity is maintained through continued maintenance of a significant portion of the investment portfolio's position in the State managed Local Agency Investment Fund, or LAIF.

The City maintains an Investment Policy which has been certified for reporting excellence by the Association of Public Treasurers – United States & Canada (APT – US&C) and the City has established both a written investment policy and investment procedures manual. The Investment Policy is reviewed and approved by both the City Council and the Budget and Finance Commission on an annual basis. The investment policy's established performance benchmark is the 30-month moving average of the ICE BofAMLzer to five-year Treasury index. In the periodic purchase of investments, both the rate of return

provided by LAIF and the yield on the U.S. Treasury security of closest maturity to the purchased investment serve also as investment performance benchmarks.

The level of investments maintained with LAIF fluctuates in accordance with variations in both the City's operational and the capital improvement program cash flow requirements. The LAIF balance is generally maintained at a level of \$5 to \$25 million, or approximately 10% of the general portfolio's assets on average, ensuring maintenance of sufficient investment portfolio liquidity. The yield provided by LAIF has increased over the past years in line with the overall increase in short-term market interest rates. Idle investment funds above the liquidity threshold have been placed primarily in Federal Agency investments within the two to five year investment maturity range. The City's investment portfolio consistently meets the primary objectives set forth in the City's investment policy.

As of June 30, 2020, the City's general portfolio was invested as follows:

**Book Value Comparison of Investment Portfolio Positions
Fiscal Year 2019-20**

Investment Type	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	\$MM	%	\$MM	%	\$MM	%	\$MM	%
Cash in Bank and Money Market	\$8.00	8.6%	\$10.42	10.7%	\$5.31	5.5%	\$9.19	8.9%
Local Agency Investment Fund (LAIF)	\$7.00	7.6%	\$17.05	17.6%	\$14.00	14.6%	\$22.00	21.2%
Federal Agency Issues	\$41.46	44.8%	\$35.46	36.5%	\$40.61	42.3%	\$38.60	37.2%
Corporate Medium Term Notes	\$24.84	26.9%	\$22.85	23.6%	\$22.87	23.8%	\$20.89	20.1%
Bank CDs	\$3.22	3.5%	\$3.22	3.3%	\$3.22	3.3%	\$2.98	2.9%
Treasuries	\$7.99	8.6%	\$8.04	8.3%	\$10.07	10.5%	\$10.06	9.7%
Total Investment Portfolio	<u>\$92.51</u>	<u>100.0%</u>	<u>\$97.04</u>	<u>100.0%</u>	<u>\$96.08</u>	<u>100.0%</u>	<u>\$103.72</u>	<u>100.0%</u>
Weighted Average Maturity (years)	2.10		1.89		2.02		1.72	
Portfolio Yield %	2.23%		2.27%		2.26%		2.22%	
LAIF Yield	2.28%		2.04%		1.79%		1.20%	
Yield on Benchmark	2.06%		2.08%		2.06%		2.02%	

As required by GASB 31, the City recorded the unrealized gain/loss on certain investments to account for the market value at June 30, 2020. The portfolio market value, \$106,832,775 rose above the book value of \$103,725,499 by \$3,107,276 of the current market value of the investments within the City's investment portfolio. This unrealized gain in the value of investments results from structural factors and interest rate movements within the financial marketplace over the past year impacting the market valuation of the City's investments in both Federal Agency issues and Corporate Medium Term Notes.

Long-Term Liabilities

The Authority issued refunding revenue bonds in February 2019 totaling \$28,015,000, which as of May 31, 2021, were outstanding in the principal amount of \$27,110,000. The proceeds of the bonds were used to refund the various leaseback contingencies and finance the purchase of a sublease between the City and Redondo Fisherman's Cove Company.

The Bonds bear interest at rates between 4.00% and 5.00% and interest is payable on each May 1 and November 1, commencing November 1, 2019. The bonds are payable from base rental payments. Principal is due annually beginning on May 1, 2020, in amounts ranging from \$350,000 to \$1,585,000. The bonds mature on May 1, 2049. The bonds are subject to optional and mandatory early redemption provisions.

The City entered into various lease purchase agreements for equipment, which have been classified as capital leases. The related assets have been capitalized in the government-wide financial statements at the initial present value of the lease payments. The balance outstanding at June 30, 2020, was \$186,587.

See "APPENDIX F – CITY OF REDONDO BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2020 - Note 8."

Statement of Direct and Overlapping Debt

Shown below is a statement of direct and overlapping debt for the City as of June 1, 2021.

City of Redondo Beach Statement of Direct and Overlapping Debt

2020-21 Assessed Valuation: \$18,646,142,129

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/21</u>	
Metropolitan Water District	0.571%	\$ 153,199	
El Camino Community College District	14.682	65,906,075	
Redondo Beach Unified School District	100.	<u>211,937,018</u>	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$277,996,292	
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	1.091%	\$28,567,914	
Los Angeles County Superintendent of Schools Certificates of Participation	1.091	49,808	
Los Angeles County Sanitation District No.5 Authority	8.271	339,126	
Los Angeles County Sanitation District South Bay Cities Authority	17.333	121,134	
City of Redondo Beach General Fund Obligations	100.	<u>27,110,000</u>	(1)
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$56,187,982	
 COMBINED TOTAL DEBT		\$334,184,274	(2)

Ratios to 2020-21 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	1.49%
Total Direct Debt (\$27,110,000).....	0.15%
Combined Total Debt.....	1.79%

Source: California Municipal Statistics, Inc.

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Employee Relations

City employees are represented by six employee associations. Pursuant to the City's Municipal Code and the Meyers-Millis-Brown-Act, the City and the employee associations negotiate wages, hours and conditions of employment. The six employee associations and their contract expiration dates are as follows:

<u>Employee Association</u>	<u>Contract Expiration</u>
Redondo Beach Police Officers (Officers and Sergeants)	December 31, 2022
Redondo Beach Police Officers (Police Management Unit)	December 31, 2022
Redondo Beach Firefighters	June 30, 2024
Redondo Beach Professional and Supervisory	December 31, 2023
Redondo Beach City Employees	December 31, 2023
California Teamsters Public, Professional & Medical	December 31, 2023

Source: City of Redondo Beach.

Pension Plans

Plan Description. The pension plans are agent, multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System ("CalPERS"), which acts as a common investment and administrative agent for participating public employers within the State of California. A full description of the pension plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not account purposes), and membership information are listed in the Annual Actuarial Valuation Reports (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. The actuarial valuation report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. Such website and information is not incorporated by reference in this Official Statement. None of the Authority, City or Underwriters can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

The City provides three Tier 1 defined benefit pension plans – two for safety employees (3% at 55 for Fire and 3% at 50 for Police) and one for miscellaneous employees (2% at 55). Beginning July 2012, two additional Tier 2 defined benefit pension plans were provided – one for safety employees (3% at 55 for both Fire and Police) and one for miscellaneous employees (2% at 60). Beginning January 2013, pursuant to the California Public Employee's Pension Reform Act of 2013 (PEPRA), Tier 3 defined benefit pension plans were added, 2.7% at 57 for safety employees and 2% at 62 for miscellaneous employees. The City makes contributions to the plans based on amounts determined by CalPERS actuaries. Employees of some bargaining groups paid a portion of the employee and/or employer contribution to CalPERS.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law

	Miscellaneous		
	Tier 1	Tier 2	Tier 3
Hire Date	Prior to May 1, 2012	On or after May 1, 2012 and before January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service monthly for life	5 years service monthly for life	5 years service monthly for life
Retirement age	50-63	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	1.092%-2.418%	1.0%-2.5%
Required employee contribution rates	7.00%	7.00%	7.25%
Required employer contribution rates	29.852%	29.852%	29.852%

	Safety		
	Tier 1	Tier 2	Tier 3
Hire Date	Prior to May 1, 2012	On or after May 1, 2012 and before January 1, 2013	On or after January 1, 2013
Benefit formula	Police - 3% @ 50 Fire - 3% @ 55	Police & Fire 3% @ 55	Police & Fire 2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	50-57
Monthly benefits, as a % of eligible compensation	2.4-3%	2.4-3%	2%-2.7%
Required employee contribution rates	9.00%	9.00%	12.50%
Required employer contribution rates	70.762%	70.762%	70.762%

As of the valuation date of June 30, 2019, the following employees were covered by the benefit terms of the Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently	498	299
Inactive employees entitled to but not yet receiving	372	52
Active employees	335	143
Total	1,205	494

Contributions. Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year Fiscal Year ended June 30, 2020, the employer contributions recognized as a reduction to the net position liability for all the Plans was \$15,639,400.

Net Pension Liability. The net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability.

The June 30, 2019 valuation was rolled forward to determine the June 30, 2020 total pension liability based on the following actuarial methods and assumptions:

	Miscellaneous	Safety
Valuation Date	6/30/2019	6/30/2019
Measurement Date	6/30/2020	6/30/2020
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value of Assets	Market Value of Assets
<u>Actuarial Assumptions:</u>		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increases ⁽¹⁾	Varies	Varies
Mortality Rate Table ⁽²⁾	Derived using CALPERS' membership data for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter	

⁽¹⁾ Annual increases vary by category, entry age, and duration of service

⁽²⁾ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Discount Rate. The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the expected real rate of return by asset class.

Asset Class*	New Strategic Allocation	Real Return Years 1-10**	Real Return Years 11+***
Global Equity	50.00%	4.80%	5.98%
Global Debt Securities	28.00	1.00	2.62
Inflation Assets	0.00	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Estate	13.00	3.75	4.83
Liquidity	1.00	0.00	-0.92

*In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

**An expected inflation of 2.0% used for this period

***An expected inflation of 2.92% used for this period

Changes in the Net Pension Liability. The following table shows the changes in net pension liability recognized over the measurement period for the City Miscellaneous Plan.

The following table shows the changes in net pension liability recognized over the measurement period for the City Miscellaneous Plan.

Miscellaneous Plan	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2019 (MD) ¹	<u>\$220,668,380</u>	<u>\$157,714,145</u>	<u>\$62,954,235</u>
Changes Recognized for the Measurement Period:			
Service Cost	3,426,450	-	3,426,450
Interest on the Total Pension Liability	15,398,568	-	15,398,568
Differences between Expected and Actual Experience	(1,088,566)	-	(1,088,566)
Changes of Assumptions	-	-	-
Plan to Plan Resource Movement	-	-	-
Contributions from the Employer	-	5,895,816	(5,895,816)
Contributions from the Employees	-	1,487,258	(1,487,258)
Net Investment Income	-	7,811,724	(7,811,724)
Benefit Payments, including Refunds of Employee Contributions	(11,856,917)	(11,856,917)	-
Administrative Expense	-	(222,338)	222,338
Other Miscellaneous Income (Expense)	-	-	-
Net Changes during 2018-2019	<u>\$5,879,535</u>	<u>\$3,115,543</u>	<u>\$2,763,992</u>
Balance at: 6/30/2019 (MD) ¹	<u><u>\$226,547,915</u></u>	<u><u>\$160,829,688</u></u>	<u><u>\$65,718,227</u></u>

(MD) = Measurement Date

The following table shows the changes in net pension liability recognized over the measurement period for the City Safety Plan.

Safety Plan	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2018 (MD) ¹	\$381,877,303	\$246,237,412	\$135,639,891
Changes Recognized for the Measurement Period:			
Service Cost	5,883,763	-	5,883,763
Interest on the Total Pension Liability	26,796,647	-	26,796,647
Differences between Expected and Actual Experience	968,299	-	968,299
Changes of Assumptions	-	-	-
Plan to Plan Resource Movement	-	-	-
Contributions from the Employer	-	11,860,288	(11,860,288)
Contributions from the Employees	-	1,816,584	(1,816,584)
Net Investment Income	-	12,249,408	(12,249,408)
Benefit Payments, including Refunds of Employee Contributions	(22,018,409)	(22,018,409)	-
Administrative Expense	-	(347,134)	347,134
Other Miscellaneous Income (Expense)	-	-	-
Net Changes during 2018-2019	\$11,630,300	\$3,560,737	\$8,069,563
Balance at: 6/30/2019 (MD) ¹	\$393,507,603	\$249,798,149	\$143,709,454

(MD) = Measurement Date

¹⁾ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. As described in the previous section of this note, this may differ from the plan assets reported in the funding actuarial valuation report.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability for the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

Net Pension Liability	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plan	\$ 93,767,534	\$ 65,718,227	\$ 42,376,910
Safety Plan	192,853,466	143,709,454	102,950,644
	<u>\$ 286,621,000</u>	<u>\$ 209,427,681</u>	<u>\$ 145,327,554</u>

Pension Plan Fiduciary Net Position. The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves. Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

For the measurement period ending June 30, 2019 (the measurement date and Fiscal Year ending June 30, 2020), the City incurred a pension expense of \$12,136,629 and \$24,993,585 for the miscellaneous and safety plans, respectively.

As of June 30, 2020 (the measurement date), the following were the reported deferred outflows of resources and deferred inflows of resources related to all pension plans:

	<u>Miscellaneous</u>		<u>Safety</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Current Year Contributions that occurred after the measurement date of June 30, 2019	\$6,174,081	\$ -	\$ 12,586,171	\$ -
Change of Assumption	-	-		(176,520)
Difference between Expected and Actual Experience	1,298,931	(699,792)	4,759,873	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,208,883	-	1,688,133	-
Total	\$ 8,681,895	\$ (699,792)	\$ 19,034,177	\$ (176,520)

Contributions subsequent to the measurement date in the amount of \$17,755,884 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year Ended June 30, 2021. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
2020	\$ 234,276	\$ 1,900,692
2021	102,560	2,001,032
2022	816,546	1,363,149
2023	654,640	1,006,613

AB 340, Public Employee Pension Reform Act of 2013 (PEPRA). On September 12, 2012, the California Governor signed AB 340, which implements pension reform in California. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases. Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit.

CalPERS Actions. On December 21, 2016, the CalPERS' Board of Administration (the "Board of Administration") voted to lower its discount rate to 7.0% over three years according to the following schedule:

<u>Fiscal Year</u>	<u>Discount Rate</u>
2018-19	7.375%
2019-20	7.250
2020-21	7.000

For public agencies like the City, the new discount rate took effect on July 1, 2018. Lowering the discount rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Public Employees' Pension Reform Act will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2 percent to 5 percent increase for most safety plans. Additionally, many CalPERS employers will see a 30 to 40 percent increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the longterm.

On February 13, 2018, the Board of Administration voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2021 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period and elimination of certain 5-year ramp-up and ramp-down periods, the contributions required to be made by employers, including the City with respect to the Plans, are anticipated to increase further beginning in Fiscal Year 2020-21.

City Pension Contributions. The total contribution paid by the City toward pension benefits was \$18.2 million in Fiscal Year 2019-20, which includes the employer and employer-paid member contributions. Approximately 83.2%, or \$15.1 million, was charged to the General Fund. The budgeted total City contribution for Fiscal Year 2019-20 was approximately \$18.7 million and is expected to increase again in Fiscal Year 2020-21.

CalPERS began to separate the City's employer contributions into their "normal cost" and "unfunded liability" portions in Fiscal Year 2017-18. The normal cost portion continued to be paid as a percentage of payroll, while the unfunded liability portion was paid as a flat dollar amount. In Fiscal Year 2020-21, the percentage-based portion of the rate was increased from 22.230% to 23.353% for safety employees and 9.152% to 9.342% for miscellaneous employees. The balance of the CalPERS rate was made up with an unfunded liability payment of \$13,241,791 (\$8,730,646 for safety employees and \$4,511,145 for miscellaneous employees). Rates will decrease from Fiscal Year 2020-21 levels for the 2021-22 fiscal year to 22.930% for safety employees and 9.300% for miscellaneous employees together with an unfunded liability payment of \$15,006,404 (\$9,959,251 for safety employees and \$5,047,153 for miscellaneous employees). Although changes in the coming years for the normal cost portion are expected to be relatively small, the increases for the unfunded liability portion are expected to be significant.

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years as reported in the annual valuation reports provided by CalPERS. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. As of the preparation date of this report, the year to date return for the 2020-21 fiscal year is above the 7% assumed return. Actual contribution rates during this projection period could be lower than the projection shown below. The projected normal cost percentages in the projections below reflect that the normal cost will continue to decline over time as new employees are hired into PEPPRA or other lower cost benefit tiers.

For the tables below, "Normal Cost" means the annual cost of service accrual for the upcoming fiscal year for active employees. "UAL" means Unfunded Accrued Liability. When a plan or pool's value of assets is less than its Accrued Liability (i.e., the total dollars needed as of the valuation date to fund all benefits earned in the past for current members), the difference is the plan or pool's Unfunded Accrued Liability (or unfunded liability). If the unfunded liability is positive, the plan or pool will have to pay contributions exceeding the Normal Cost.

SAFETY PLAN

	Required Contribution	Projected Future Employer Contributions (Assumes 7.0% Return for Fiscal Year 2019-20)				
Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Normal Cost %	22.93%	22.3%	21.9%	21.4%	20.9%	20.4%
UAL Payment	\$10,301,929	\$11,321,000	\$12,002,000	\$12,724,000	\$13,097,000	\$13,450,000

MISCELLANEOUS PLAN

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2019-20)				
Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Normal Cost %	9.30%	9.1%	9.0%	8.8%	8.7%	8.5%
UAL Payment	\$5,220,816	\$5,797,000	\$6,146,000	\$6,528,000	\$5,888,000	\$6,113,000

Aside from contributing to CalPERS, the City also contributes to Social Security. The Fiscal Year 2019-20 total cost for Social Security and Medicare coverage was \$2.2 million, of which \$1.5 million, or 68.2%, is from the General Fund. Safety employees do not participate in Social Security and Medicare, except for those employees hired after 1986, who are required to participate in Medicare.

See “BONDOWNERS’ RISKS - COVID-19 Pandemic” for information regarding the potential impact of the COVID-19 outbreak on the City’s unfunded pension liability. See also “INTRODUCTION - COVID-19 Impact.” See Note 11 to the audited financial statements in “APPENDIX F - CITY OF REDONDO BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2020” for additional information regarding the City’s pension plan.

Other Post-Employment Benefits Other Than Pensions

The City also provides post-retirement health care benefits to its employees in accordance with agreements reached with various employee bargaining groups through the California Employers’ Retiree Benefit Trust (CERBT) Fund, which is an agent multiple-employer plan administered by CalPERS. The City pays for retirees’ health care premiums in these plans up to limits established in the agreements with the bargaining units. After age 64, only the City’s minimum health premium contribution under the Public Employees’ Medical and Hospital Care Act is paid. These payments are paid through an Other Post-Employment Benefits (“OPEB”) trust, which was established by the City in Fiscal Year 2009-10 to comply with GASB 45. The OPEB trust allows the City to prefund actuarially derived OPEB costs that are expected to be incurred in future periods. In Fiscal Year 2019-20, the City contributed \$2.2 million to the OPEB trust to cover current and future retiree medical benefits; however, future contributions may vary based on future actuarial studies. As of June 30, 2020, the City was providing benefits to 169 participants.

As of June 30, 2020, the City had a net OPEB obligation of \$18,612,000. For Fiscal Year ended June 30, 2020, the City contributed \$2,217,998 to the plan.

Changes in the OPEB Liability.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2019 (valuation date June 30, 2019)	\$24,083,383	\$5,655,292	\$18,428,091
Changes recognized for the measurement period:			
Service cost	911,766	--	911,766
Interest	1,635,748	--	1,635,748
Benefit changes	--	--	--
Actual vs. expected experience	(147,110)	--	(147,110)
Assumption changes	(1,415,841)	--	(1,415,841)
Contributions - employer	--	2,217,998	(2,217,998)
Net investment income	--	497,289	(497,289)
Benefit payments	(1,523,667)	(1,523,667)	--
Administrative expenses	--	(5,691)	5,691
Net changes	539,104	1,185,929	1,725,033
Balance at June 30, 2020 (measurement date June 30, 2019)	\$23,544,279	\$6,841,221	\$16,703,058

Risk Management

The City maintains a self-insurance program for workers' compensation and liability claims. The program accumulates resources in the Self-Insurance Program internal service fund to meet potential losses. For Fiscal Year 2019-20, the self-insurance retention (SIR) is \$750,000 for workers' compensation and \$500,000 for liability. Excess coverage up to \$50 million for each workers' compensation claim is provided by a third party private insurer, and excess liability up to \$30 million for each occurrence is covered by the California State Association of Counties - Excess Insurance Authority (CSAC-EIA).

The CSAC-EIA is a joint powers authority for 95% of California counties as well as 68% of California municipalities where risks and losses are pooled together to keep annual premiums low. Both the workers' compensation and liability claims programs are managed by a third-party claims administrator under the direction of the Risk Management Division of the Human Resources Department.

The amounts included in the Self-Insurance Program internal service fund are significant, partly due to requirements of Government Accounting Standards Board (GASB) Statement No.10. In complying with GASB 10, the City must record as a liability and expenditure not only actual risk/loss experienced in the areas of workers' compensation and liability, but also claims incurred but not reported (IBNR). IBNR claims include exposure for losses of which a city is not yet aware, as well as any statistically probable increase in costs for accidents that are already known to the City. The appropriate amount to include on the financial statements for IBNR claims is typically developed by an actuary. As of June 30, 2020, the City recorded the following:

Workers' Compensation Claims. Claims payable totaled \$17.3 million representing an increase of \$1.4 million, or 14.8%, from the prior period. This increase is attributable to higher estimated reserves and the settlement of claims in previous years.

Liability Claims. Claims payable totaled \$7.4 million representing a decrease of \$2.3 million, or 134.8%, from the prior period. This decrease is attributable to lower estimated reserves and the settlement of claims in previous years.

Unemployment Insurance. The City participates in a direct-cost reimbursement method for unemployment insurance. This program is administered by the State Employment Development Department (EDD) to provide salary continuance for terminated employees. For Fiscal Year 2019-20, reimbursement to EDD was \$60,455.

THE AUTHORITY

The Redondo Beach Community Financing Authority is a joint powers authority established pursuant to the Bond Law and a Joint Exercise of Powers Agreement, dated as of January 31, 2012, by and between the City and the Redondo Beach Parking Authority. The Authority is qualified to assist in the financing or refinancing of certain public improvements and to issue the Bonds under the Bond Law. The Authority has no taxing power. Under the Bond Law, the Authority may purchase bonds issued by any local agency at public or negotiated sale and may sell bonds to public or private purchasers at public or negotiated sale. The Authority is governed by a six-member board of directors, which consists of the Mayor and the other members of the City Council of the City of Redondo Beach. The Mayor acts as the Chair of the Authority, the City Manager as its Executive Director, the City Clerk as its Secretary and the Treasurer of the City as its Treasurer. The Authority and the City are each separate and distinct legal entities, and the debts and obligations of each such entity are not debts or obligations of the other entity.

BONDOWNERS' RISKS

Investment in the Bonds involves elements of risk. The following section describes certain specific risk factors affecting the payment and security of the bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the bonds and the order of discussion of such risks does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this official statement in evaluating the bonds. There can be no assurance that other risk factors not discussed under this caption will not become material in the future.

Limited Obligations with Respect to the Bonds

The Bonds are limited obligations of the Authority payable from Revenues, which primarily consist of Base Rental Payments payable by the City under the Lease and amounts on deposit from time to time in the funds and accounts held by the Trustee. If for any of the reasons described herein, or for any other reason, the Base Rental Payments are not sufficient to pay debt service on the Bonds, the Authority will be obligated to utilize money on deposit in the funds and accounts established under the Indenture. The obligation of the City to pay Base Rental Payments and Additional Rental Payments under the Lease also constitute a current expense of the City payable from any legally available funds.

The Authority has no taxing power. The obligation of the City to pay Base Rental Payments and Additional Rental Payments under the Lease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Base Rental Payments under the Lease does not constitute a debt or indebtedness of the City, the Authority, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations.

COVID-19 Pandemic

COVID-19 was first identified in China in late 2019, and has spread globally. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. On March 13, 2020, the President of the United States declared a national state of emergency. In California, Governor Newsom declared a state of emergency on March 4, 2020. The County and the City have also declared local emergencies, on March 4, 2020 and March 12, 2020, respectively. Beginning in March 2020, throughout the State (including in the City and County), other parts of the country and many nations, stay at home or similar orders (prohibiting social gatherings, closing of schools and non-essential businesses and public venues, and imposition of social distancing measures at locations that provide essential services), as well as travel restrictions, were imposed. This caused major disruptions in the regional and local economy, as well as some business failures and high levels of unemployment. In addition, the financial markets experienced some volatility. Emergency orders implementing measures to prevent the spread of the virus were issued beginning March 2020, and were revised becoming more or less restrictive depending upon the

hospitalization and infection rate at the time. To date, there have been a number of COVID-19 cases and deaths in the City and the County. While several vaccines have been developed and are being administered, the pandemic is still ongoing, and its duration and severity and economic effects remain uncertain. It is unclear how long various protective measure will remain; however, the California Governor has stated that he may further loosen or eliminate the restrictions on June 15, 2021, as cases continue to decline and vaccination rates and availability remain at acceptable levels.

Potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, disruption of the regional and local economy due to decreased commercial activity, with corresponding decreases in the City's major revenues, including but not limited to, sales tax and transient occupancy tax, and increased costs of City operations.

The ultimate impact of COVID-19 on the City's operations and finances is difficult to predict due to the evolving nature of the COVID-19 transmission, including uncertainties relating to the duration and severity of the outbreak, and what actions will be taken by governmental authorities to contain or mitigate the outbreak or to treat its impact. As of the date of this Official Statement, the City does not believe that the impacts of the spread of COVID-19 will prevent the City from making Base Rental Payments when due.

On March 11, 2021, the President signed the \$1.9 trillion American Rescue Plan Act of 2021. Approximately \$350 billion of these funds are dedicated to eligible state, local, territorial and Tribal governments. The allocation to the City is \$6,801,080.00, which is expected to offset a portion of the City's revenue loss. See "CITY FINANCIAL INFORMATION - Impact of COVID-19 Pandemic."

The financial and operating data contained in this Official Statement are the latest available, but are as of dates and for periods prior to the economic impact of the pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City. The City continues to monitor the spread of COVID-19 and is working with local, State, and national agencies to address the potential impact of the pandemic upon the City. While the overall potential impact of the pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could lead to additional or modified public health restrictions and have an adverse effect on the City's operations and financial condition, and the effect could be material. See "INTRODUCTION - COVID-19 Pandemic" and "CITY FINANCIAL INFORMATION - Impacts of COVID-19 Pandemic".

Abatement

The obligation of the City under the Lease to pay Base Rental Payments and Additional Rental Payments is in consideration for the use and possession of the Leased Property. Except to the extent of (i) amounts held by the Trustee in the Lease Payment Fund, (ii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, and (iii) amounts available in the City's General Fund, the obligation of the City to pay Base Rental Payments and Additional Rental Payments due under the Lease will be abated in accordance with the Lease during any period in which, by reason of damage, destruction or taking by eminent domain or condemnation of, the Leased Property or any portion thereof, there is substantial interference with the use and possession by the City of all or such portion of the Leased Property.

The Lease provides that the amount of abatement will be such that the resulting rental payments in any Bond Year during which such interference continues, excluding any amounts described in clauses (i), (ii) or (iii) above, do not exceed the fair rental value of the portions of the Leased Property as to which such damage, destruction, condemnation or title defects do not substantially interfere with the City's use and possession, as evidenced by a certificate of a City representative. Such abatement will continue for the period commencing with the date of such interference and ending with the restoration of the Leased Property to tenantable condition. Except as provided in the Lease, in the event of such damage, destruction or taking, the Lease shall continue in full force and effect and the City waives any right to terminate the Lease by virtue of any such damage, destruction or taking. *The City will not be obtaining title insurance on the Leased Property in connection with the issuance of the Bonds.* See "SECURITY FOR THE BONDS – Abatement."

City General Fund

In General. The Base Rental Payments and other payments due under the Lease are payable from funds lawfully available to the City. If the amounts which the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Base Rental Payments, based on the perceived needs of the City. See "CITY FINANCIAL INFORMATION" for a more detailed discussion of revenues deposited in and expenditures from the City's General Fund. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare. For more information regarding California Constitutional limits on expenditures see "LIMITATIONS ON REVENUES AND APPROPRIATIONS – Appropriations Limitations: Article XIIB."

Risk of Increased Expenditures. Under the Lease, provided the City is not currently in default thereunder, the City is permitted to expend for any municipal purpose or otherwise incur other evidences of indebtedness or other obligations payable from the City's General Fund without the consent of Owners of the Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Base Rental Payments could decrease.

Risk of Decreased Revenues. A variety of national, State or regional factors, which are beyond the control of the City's fiscal policies, as well as the City's fiscal policies could reduce the amount of the City's General Fund revenues. To the extent that City revenues decrease, the funds available to pay Base Rental Payments could decrease. See "CITY FINANCIAL INFORMATION".

Additional Obligations

The City may incur additional obligations payable from the City's General Fund. Such additional obligations would increase debt service payable from the City's General Fund and could adversely affect debt service coverage with respect to the Base Rental Payments.

State Finances

The State's financial condition and budget policies affect communities and local public agencies throughout California. State budgets are affected by regional, national or even international economic conditions and a multitude of other factors over which the City has no control. The City cannot give any assurances regarding the financial conditions of the State during any period of time. Some of the State's budget solutions have caused in the past, and may cause in the future, increased financial stress to cities, counties and other local governments by: (i) decreasing local revenues (for example, the property tax, road improvement funding, public safety or other categorical funded initiatives), or (ii) increasing directly or indirectly demand for local programs (such as public safety or indigent health programs). AB X1 26 enacted in 2011, pursuant to which all redevelopment agencies in the State were dissolved, was enacted during the Fiscal Year 2011-12 budget process and was just one example where cities and counties throughout the State were significantly impacted. Even though California has experienced significantly improved fiscal condition during the past few fiscal years, the State is still facing continuing financial challenges and unfunded long-term liabilities.

According to the State Constitution, the Governor is required to propose a budget to the State Legislature by no later than January 10 of each year, and a final budget must be adopted by the vote of each house of the Legislature no later than June 15, although this deadline has been frequently breached in the past. Before Fiscal Year 2010-11, the State budget had to be adopted by a two-thirds vote of each house of the State Legislature. However, in November 2010, the voters of the State passed Proposition 25, which reduced the vote required to adopt a budget to a majority vote of each house and which provided that there would be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for members of the Legislature for the period during which the budget was

presented late to the Governor. The State budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

On January 8, 2021, the Governor released his 2021-22 Proposed State Budget and in May 2021, released his May Revision to the budget (collectively, the “2021-22 Proposed State Budget”), which reflects revenues and transfers of \$175.9 billion, a prior year fund balance of \$27.4 billion and expenditures of \$196.8 billion, resulting in a projected year-end balance of \$6.6 billion. The 2021-22 Proposed State Budget also projects \$24.4 billion in reserves and projects a one-time budget surplus of \$75.7 billion, mainly driven by stronger than anticipated revenues and aggressive budgetary actions taken in Fiscal Year 2020-21 as a response to the COVID-19 pandemic. The one-time budget surplus is considered a windfall and the Governor proposes appropriating this one-time surplus funding to build back the State’s reserves, supplement reduced revenues as a result of proposed tax reductions, and continue or expand a variety of State programs and services.

Information about the State budget and State spending is available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance, www.dof.ca.gov. An analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various official statements for State-issued bonds, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov. None of the websites referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The City makes no representation concerning, and does not take any responsibility for, the accuracy or timeliness of information posted on such websites or the continued maintenance of such websites by the respective entities.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fees revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate currently in effect, which is 1.15% of vehicle value effective July 1, 2011, the State must provide local governments with equal replacement revenues. Further, Proposition 1A required the State, beginning March 1, 2006, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, except mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates. The 2020-21 Final Budget of the State and the proposed Fiscal Year 2021-22 State budget does not include any Proposition 1A diversion.

Seismic Factors

The City, like most regions in the State, is located in an area of seismic activity and, therefore, could be subject to potentially destructive earthquakes. According to the City’s General Plan (the “General Plan”), the City lies within a seismically active region. The major faults are related to the San Andreas fault system. The Newport-Inglewood fault is located 6.5 miles east of the City. Aside from structural damage, earthquake activity can produce other types of adverse effects such as landslides, subsidence/settlement, and liquefaction. For more information, see the “Redondo Beach General Plan” on file with the City Clerk. The

occurrence of severe seismic activity in the City could result in substantial damage to property located in the City, and could lead to successful appeals for reduction of assessed values of such property. The occurrence of an earthquake may result in the substantial interference with the use and occupancy of the Leased Property, which could result in Base Rental Payments being subject to abatement. Under such circumstances, no assurance can be given that the City would have insurance or other resources available to make repairs to the Leased Property or to make Base Rental Payments under the Lease.

Risk of Floods, Fire or Tsunami

As with seismic hazards, the occurrence of a flood, tsunami or fire could result in the substantial interference with the use and occupancy of the Leased Property, which could result in Base Rental Payments being subject to abatement or an adverse impact on the City's General Fund. Under such circumstances, no assurance can be given that the City would have insurance or other resources available to make repairs to the Leased Property or to make Base Rental Payments under the Lease. According to the City's General Plan, predictive modeling for distantly generated tsunamis indicate that approximately five feet above sea level every 100 years and nine feet above sea level every 500 years are possible in the Redondo Beach area.

Hazardous Substances

The public works activities of the City may, from time to time, result in the use of hazardous substances on the facilities owned and operated by the City, including, but not limited, to the Leased Property. Accordingly, it is possible that spills, discharges or other adverse environmental consequences of such use in the future could cause an adverse effect on the fair rental value of the Leased Property and lead, in an extreme case, to abatement, in whole or in part, of all or a portion of the Base Rental Payments. See "RISK FACTORS - Abatement" above.

Cybersecurity

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations and finances. As a recipient and provider of personal, private or other electronic sensitive information, the City is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The City provides training to its staff on phishing and safe browsing and how to avoid potential cyber threats. However, no assurances can be given that the security and operational control measures of the City will be successful in guarding against any and each cyber threat or breach.

Limited Recourse on Lease Default

If an event of default occurs and is continuing under the Lease, there is no remedy of acceleration of any Base Rental Payments which have not come due, and **no right for the Authority to terminate the Lease and re-let the Leased Property**. The sole remedy provided for in the Lease is to exercise any action at law or in equity necessary or desirable to collect the amounts due under the Lease.

No Reserve Fund

The City has not funded a reserve fund in connection with the issuance of the Bonds.

Limitations on Remedies; Bankruptcy

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest and premium, if any, on the Bonds. Bond Counsel has limited its opinion as to the enforceability of the Bonds and the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or

other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay in the exercise of, or limitations on or modifications to, the rights of the Owners.

Enforceability of the rights and remedies of the Owners, and the obligations incurred by the Authority or the City, may become subject to the United States Bankruptcy Code (the "Bankruptcy Code") and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of related powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Bankruptcy of the City. Under Chapter 9 of the United State Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs bankruptcy proceedings of public entities such as the City, no involuntary bankruptcy petition may be filed against a public entity; however, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the City.

If the City is in a Chapter 9 bankruptcy proceeding, parties may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City, unless the bankruptcy court grants permission to take such action. This prohibition may also prevent the Trustee from making payments to the Owners from funds in the Trustee's possession.

In the event of a City bankruptcy filing, the City may be able to borrow additional money that is secured by a lien on any of its property, including the sources of funds for payment to the Trustee of the assigned Base Rental Payments and Additional Rental payments under the Lease (including, without limitation, the General Fund of the City and funds deposited in the General Fund), which lien could have priority over the pledges made under the Indenture, so long as the bankruptcy court determines that the rights of the Owners will be adequately protected. The City may also be able to cause some of the Base Rental Payments and Additional Rental payments to be released to it, free and clear of the lien of the Indenture, so long as the bankruptcy court determines that the rights of the Owners will be adequately protected.

The City may be able, without the consent and over the objection of the Trustee and the Owners, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Bonds, so long as the bankruptcy court determines that the alterations are fair and equitable.

The City is informed that CalPERS (the City's pension system) has significant unfunded liabilities, and the City is unable to predict what the amount of unfunded liabilities will be in the future or the amount of contributions that the City may be required to make. In a bankruptcy of the City, the amounts of current and, if any, accrued (unpaid) contributions owed to CalPERS or any other pension system (collectively the "Pension Systems"), as well as future material increases in required contributions, reduce the City's ability to pay Base Rental and Additional Rental payments. Given that municipal pension systems in California are usually administered pursuant to State constitutional provisions and, as applicable, other state and/or city law, the Pension Systems may take the position, among other possible arguments, that (1) their claims enjoy a priority over all other claims, (2) Pension Systems are instrumentalities of the State and have the right to enforce payment by injunction or other proceedings outside of a City bankruptcy case, and (3) their claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a bankruptcy of the City would rule on these matters. In addition, this area of law is

unsettled because issues of pension underfunding claim priority, pension contribution enforcement and related bankruptcy plan treatment of such claims (among other pension-related matters) are presently the subject of litigation in the Chapter 9 cases of several California municipalities, but did not result in appellate rulings giving definitive guidance on these matters.

Recharacterization of the Site Lease and the Lease as a Financing Arrangement. In bankruptcy proceedings, a bankruptcy court is not required to accept the characterization of an agreement as a “lease,” but will look to the economic realities of the transaction as a whole. In the event of the City files for bankruptcy, a bankruptcy court could determine that each of the Site Lease and the Lease is either (1) an unexpired lease or executory contract (defined below) under Section 365 (“Section 365”) of the Bankruptcy Code (a “True Lease”) or (2) part of a loan or other financing arrangement secured by a lien (a “Financing Arrangement”). The Bankruptcy Code specifies different treatment for True Leases and Financing Arrangements.

In bankruptcy proceedings, courts have been required to determine whether arrangements with features similar to the Site Lease and the Lease were True Leases or Financing Arrangements. There are court decisions arising out of bankruptcy proceedings that have found certain relationships to be disguised Financing Arrangements, where a government agency granted an interest in property to an entity and then leased that interest back and where the terms of the lease relate not to the market value of the property leased but to bond financing, e.g., the lease-back is in exchange for payments equaling bond debt service and related costs and/or the term of the lease is tied to the final payment on the relevant bonds.

There can be no guarantee that a bankruptcy court would not recharacterize the Site Lease and the Lease together as a Financing Arrangement. If a bankruptcy court did so, the payment obligations of the City might be substantially reduced. A borrower in a bankruptcy proceeding that has given a security interest in property in connection with a Financing Arrangement may retain such property, provided that it make payments over time giving the lender the economic value of the security interest. If such economic value is less than the balance due on the debt in the Financing Arrangement, the difference is then treated as an unsecured debt. In the case of the City, were the Site Lease and the Lease to be determined to be part of a Financing Arrangement, the City would very likely be permitted to remain in possession of the Leased Property if it made payments for that right, but the amount required to be paid is primarily dependent upon the value of the Trustee’s security interest under the Indenture, not the payment terms of the Lease. Therefore, there is a risk that payment will be delayed or reduced from the amounts specified in the Lease, even if the value of the Trustee’s security interest is greater than the amount of the debt owed by the City.

Treatment of the Site Lease and the Lease as True Leases. Section 365 requires an entity in bankruptcy to make considered decisions either to keep (“assume”) or repudiate (“reject”) its “executory” contracts (that are as yet incomplete as to both parties’ performances), and its leases. Section 365 thus requires that a lessee under a True Lease must either (1) assume the lease or the executory contract and fully perform all of its obligations or (2) reject such lease or executory contract and surrender the leased property. In the event of a bankruptcy case with respect to the City in which a bankruptcy court determined that the Site Lease and the Lease were each a True Lease or executory contract, the City would then have these two options.

Assuming the Lease would require that the City cure all monetary defaults (including any unpaid amounts due under the Lease) and most non-monetary defaults, if any. The City would also have to provide adequate assurance that defaults would not occur in the future.

If the Lease is treated as a True Lease by a bankruptcy court and the City rejects the Lease, the rights of the Trustee (and thus the Owners) to receive Base Rental Payments and Additional Rental Payments would be terminated. Under such circumstances, the Owners could suffer substantial losses, and any claim for damages may be significantly limited. Rejection of the Lease could result in a claim for damages against the City in connection with the Bonds that would rank as a general unsecured debt of the City. In the event of such rejection of the Lease, the amount of any corresponding claim could also likely be limited by the cap on landlord claims provided in the Bankruptcy Code, i.e., to the Base Rental Payments payable under the

Lease (without acceleration) for the greater of one year or 15% of the remaining term of the Lease, but not to exceed three years, following the earlier of (a) the date the bankruptcy petition was filed, and (b) the date on which the City surrendered (voluntarily or involuntarily) the Leased Property, plus any unpaid Base Rental Payments and Additional Rental Payments under the Lease (without acceleration) existing on the earlier of such dates. Thus, if the Lease is treated as a True Lease under Section 365 and rejected in a bankruptcy of the City, the damage claim could be severely limited resulting in reduced funds available to pay the Bonds.

In addition, payments by a lessee within 90 days prior to a bankruptcy filing may be deemed to be "avoidable preferences" under the Bankruptcy Code. Accordingly, payments made pursuant to the Lease could be subject to recapture in a bankruptcy of the City, subject to certain defenses that may be available to the Authority or the Trustee.

There may be delays in payments with respect to the Bonds while the bankruptcy court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments with respect to the Bonds, or result in losses to the Owners. Regardless of any specific adverse determinations in a bankruptcy proceeding of the City, the mere commencement of such a bankruptcy proceeding could have an adverse effect on the liquidity and market value of the Bonds.

Bankruptcy of the Authority. The Authority could potentially become a debtor in a bankruptcy case. In a bankruptcy case of the Authority, the legal principles and risks discussed above, in connection with a bankruptcy case filed by the City, would apply, with uncertain consequences to the Owners.

Because the Authority is not assigning all its rights under the Site Lease and the Lease to the Trustee, if the Authority became the subject of a bankruptcy proceeding, the Authority may be able to obtain authorization from the bankruptcy court to sell to a third party all rights under the Site Lease and the Lease, including the Base Rental Payments and Additional Rental Payments, free and clear of rights of the Trustee and the Owners. While the Trustee (and thus the Owners) would be entitled to receive the value of the Base Rental Payments and Additional Rental Payments as determined by the bankruptcy court, the bankruptcy court's valuation may be substantially different than the value placed on such payments by the Owners, and the Owners may suffer a loss.

The Trustee and the Owners would be prohibited from taking any action to enforce any of their respective rights or remedies against the Authority or its property, unless the permission of the bankruptcy court was first obtained. This could prevent the Trustee from making payments to the Owners from funds in the possession of the Trustee. In addition, the provisions of the transaction documents that require the City to make payments directly to the Trustee, rather than to the Authority, may no longer be enforceable, and all payments may be required to be made to the Authority.

There may be delays in payments on the Bonds while the bankruptcy court considers any of these issues. There may be other possible effects of a bankruptcy of the Authority that could result in delays or reductions in payments with respect to the Bonds, or result in losses to the Owners. Regardless of any specific adverse determinations in a bankruptcy proceeding of the Authority, the mere commencement of such a bankruptcy proceeding could have an adverse effect on the liquidity and market value of the Bonds.

Early Redemption Risk

Early prepayment of the Base Rental Payments and redemption of the Bonds may occur in whole or in part without premium, on any date if the Leased Property or a portion thereof is damaged or destroyed beyond repair or taken by eminent domain (see "THE BONDS - Redemption - Extraordinary Redemption"), or if the City exercises its right to prepay Base Rental Payments in whole or in part pursuant to the provisions of the Lease and the Indenture. The Lease does not require property insurance in the event of damage or destruction if the Leased Property consists of City streets.

Investment of Funds

All funds held under the Indenture are required to be invested in Investment Securities as provided under the Indenture. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS." All investments, including Investment Securities, authorized by law from time to time for investments by the Authority contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture could have a material adverse effect on the security for the Bonds.

Future Initiative and Legislation

As discussed herein under "LIMITATIONS ON REVENUES AND APPROPRIATIONS," California's Constitutional initiative process has resulted in the adoption of measures which pose certain limits on the ability of cities and local agencies to generate revenues, through property taxes or otherwise. From time to time, other initiative measures could be adopted, affecting the City's ability to generate revenues and to increase appropriations. No assurances can be given as to the potential impact of any future initiative or legislation on the finances and operations of the City.

Secondary Market

There can be no assurance that there will be a secondary market for the Bonds, or if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, pricing of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could substantially differ from the original purchase price.

LIMITATIONS ON REVENUES AND APPROPRIATIONS

There are a number of provisions in the State of California Constitution that limit the ability of the City to raise and expend revenues. Contained below is a description of some of these limitations. In addition to the ones discussed in this section below, other initiative measures could be adopted from time to time further affecting the City's revenues and finances.

Property Tax Limitations - Article XIII A

California voters, on June 6, 1978, approved an amendment (commonly referred to as "Proposition 13" or the "Jarvis-Gann Initiative") to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors.

Article XIII A further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in August 1986 by initiative that exempts from the one percent limitation any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property. On December 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*).

In the general election held on November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amended Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in certain other minor or technical ways.

Article XIII A Implementing Legislation

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based on their respective "situation." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in California no longer record property values on tax rolls at the assessed value of 25 percent of market value, which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. Unless otherwise noted, all taxable property value included in this Official Statement (unless noted differently) is shown at 100 percent of market value and all tax rates reflect the \$1 per \$100 of taxable value.

Challenges to Article XIII A

California trial and appellate courts have upheld the constitutionality of Article XIII A's assessment rules in three significant cases. The United States Supreme Court, in an appeal to one of these cases, upheld the constitutionality of Article XIII A's tax assessment system. The City cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the City's receipt of property tax revenues should a future decision hold unconstitutional the method of assessing property.

Appropriations Limitations: Article XIII B

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. Article XIII B limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the government entity. The "base year" for establishing such appropriations limit is the 1978-79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Revenues received in excess of the appropriations limit must be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Propositions 218 and 26: Article XIIC and Article XIID

On November 5, 1996, California voters approved Proposition 218, “the Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the California Constitution, providing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments, and property-related fees and charges.

Provisions of Article XIIC (i) require taxes for general governmental purposes to be submitted to the electorate and approved by a majority vote, and taxes for specific purposes, even if deposited into the General Fund, to be submitted to the electorate and approved by two-thirds vote, (ii) require any general purpose tax which the City imposed, extended or increased, without voter approval, after December 31, 1994, to be submitted to the electorate and approved by majority vote on November 5, 1998 and (iii) provide that all taxes, assessments, fees and charges to reduction or repeal at any time through the initiative process, subject to overriding constitutional principles relating to the impairment of contracts. Provisions of Article XIID that affect the ability of the City to fund certain services or programs that it may be required or choose to fund include (ii) adding notice, hearing, protest and, in some cases, voter approval requirements to impose, increase or extend certain assessments, fees and charges and (ii) adding stricter requirements for finding individualized benefits associated with such levies.

On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Relevant to local governments, Proposition 26 amended Article XIIC of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. As a result, Proposition 26 requires a local government to obtain two-thirds voter approval for many fees, charges and levies that a local government was previously authorized to adopt by a majority vote of its legislative body. Specifically, Proposition 26 defines a “tax” as any levy, charge, or exaction of any kind imposed by a local government except those enumerated in seven specified exceptions, as follows:

- (1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
- (3) A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof.
- (4) A charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property.
- (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law.
- (6) A charge imposed as a condition of property development.
- (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

In the event that charges included in the definition of a “tax” in Article XIIC cannot be appropriately increased, the City may have to choose whether to reduce or eliminate the service financed by such taxes or finance such service from its General Fund. Further, no assurance can be given that the City

will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

The foregoing discussion of Propositions 218 and 26 should not be considered an exhaustive or authoritative treatment of the provisions of Propositions 218 and 26 or the possible effects of Propositions 218 and 26. Interim rulings, final decisions, legislative proposals and legislative enactments affecting Propositions 218 and 26 may impact the City's ability to make Rental Payments. The City does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity related to these issues. The City does not believe any of the fees or charges constituting City General Fund revenues are imposed in violation of Propositions 218 or 26.

Proposition 62

On November 4, 1986, California voters adopted Proposition 62, which requires that (i) any local tax for general governmental purposes (a "general tax") must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a "special tax") must be approved by a two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body; and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency's property tax allocation.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in *Santa Clara County Local Transportation Authority v. Guardino*, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax. The City does not believe any of the taxes constituting City revenues are levied in violation of Proposition 62.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (i) each jurisdiction will receive up to 102 percent of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102 percent of the previous year's revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

ABSENCE OF LITIGATION

To the Authority's and the City's knowledge, there is no litigation pending or threatened to restrain or enjoin the issuance, execution or delivery of the Bonds, to contest the validity of the Bonds, the Indenture, the Site Lease, the Lease or any proceedings of the City or the Authority with respect thereto. In the opinion of the Authority and its counsel, there is no lawsuit or claim pending against the Authority which will materially impair the Authority's ability to enter into the Indenture or restrain or enjoin the collection of Revenues as contemplated therein. In the opinion of the City and the City Attorney, there is no lawsuit or claim pending against the City which will materially impair the City's ability to enter into the Lease or restrain or enjoin the payment of Base Rental Payments.

CONTINUING DISCLOSURE

The City has undertaken for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the City and other data by not later than March 31 after the close of

each fiscal year, commencing March 31, 2022 with the report for Fiscal Year 2020-21 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of significant events will be filed by Kosmont Transactions Services, Inc., as the Dissemination Agent on behalf of the City, with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in “APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT.” This undertaking has been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) (the “Rule”) promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended. The City has previously entered into continuing disclosure agreements in connection with its prior bond issuances.

Continuing Disclosure History. Prior to the printing of this Official Statement, an examination was conducted of the continuing disclosure filings by the City during the past five years. With respect to the Redondo Beach Public Financing Authority’s \$7,645,000 principal amount of Refunding Revenue Bonds, 2008 Series A (South Bay Center Redevelopment Project), which are no longer outstanding as of July 1, 2019, Moody’s Investors Service upgraded the rating on such Bonds from A1 to Aa2 on October 11, 2016. The City filed a late notice regarding such rating change on February 1, 2019. There were no other instances of late filings or lack of filings in the previous five years.

The City believes that their procedures with the Dissemination Agent are sufficient in the normal due course to assure substantial compliance with its continuing disclosure undertakings in the future. A failure by the City to comply with the provisions of the Continuing Disclosure Agreement is not an event of default under the Indenture (although the holders and beneficial owners of the Bonds do have remedies at law and in equity). However, a failure to comply with the provisions of the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds. Therefore, a failure by the City to comply with the provisions of the Continuing Disclosure Agreement may adversely affect the marketability of the Bonds on the secondary market.

CERTAIN LEGAL MATTERS

The legality of the issuance of the Bonds is subject to the approval of Norton Rose Fulbright US LLP, Los Angeles, California, as Bond Counsel. Bond Counsel’s opinion with respect to the Bonds will be substantially in the form set forth in APPENDIX B of this Official Statement. In addition, certain other legal matters will be passed on by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, as Disclosure Counsel.

TAX MATTERS

State Tax Exemption

In the opinion of Bond Counsel, under existing law interest on the Bonds is exempt from personal income taxes of the State. Except as stated in the immediately preceding sentence, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. A copy of the form of opinion of Bond Counsel relating to the Bonds is included in APPENDIX B.

Federal Income Tax Considerations

The following is a general summary of certain United States federal income tax consequences of the purchase and ownership of the Bonds. The discussion is based upon the laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein.

The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, the discussion below does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the Bonds in light of the investor's particular circumstances or to certain types of investors subject to special treatment under federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, broker-dealers, and persons who have hedged the risk of owning the Bonds). The discussion below is limited to certain issues relating to initial investors who will hold the Bonds as "capital assets" within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and acquire such Bonds for investment and not as a dealer or for resale. The discussion below addresses certain federal income tax consequences applicable to beneficial owners of the Bonds who are United States persons within the meaning of section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequence to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS.

Stated Interest on the Bonds. The stated interest on the Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and will be subject to United States federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Original Issue Discount. If a substantial amount of the Bonds of any stated maturity is purchased at original issuance for a purchase price (the "Issue Price") that is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Bonds at maturity over its Issue Price, and the amount of the original issue discount on the Bonds will be amortized over the life of the Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds the Bonds will increase the adjusted tax basis of the Bonds in the hands of such beneficial owner.

Premium. If a beneficial owner purchases a Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the Bond with "amortizable bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the Bond and may offset interest otherwise required to be included in respect of the Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Bond. However, if the Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Bond. Any election to amortize bond premium applies to all

taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Bonds should consult with their own tax advisors concerning this additional tax, as it may apply to interest earned on the Bonds as well as gain on the sale of a Bond.

Disposition of Bonds and Treatment of Market Discount. A beneficial owner of Bonds will generally recognize gain or loss on the redemption, sale or exchange of Bonds equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner’s adjusted tax basis in the Bonds. Generally, the beneficial owner’s adjusted tax basis in the Bonds will be the beneficial owner’s initial cost, increased by the original issue discount (if any) previously included in the beneficial owner’s income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner’s holding period for the Bonds.

Under current law, a purchaser of a Bond who did not purchase that Bond in the initial public offering (a “subsequent purchaser”) generally will be required, on the disposition (or earlier partial principal payment) of such Bond, to recognize as ordinary income a portion of the gain (or partial principal payment), if any, to the extent of the accrued “market discount.” In general, market discount is the amount by which the price paid for such Bond by a subsequent purchaser is less than the sum of the Issue Price and the amount of original issue discount previously accrued on the Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of such Bonds could have a material effect on the market value of such Bonds.

Legal Defeasance. If the Authority elects to defease the Bonds by depositing in escrow sufficient cash and/or obligations to pay when due outstanding Bonds (a “legal defeasance”), under current tax law, a beneficial owner of Bonds may be deemed to have sold or exchanged its Bonds. In the event of such a legal defeasance, a beneficial owner of Bonds generally would recognize gain or loss in the manner described above. Ownership of the Bonds after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different from those described above, and each beneficial owner should consult its own tax advisor regarding the consequences to such beneficial owner of a legal defeasance of the Bonds.

Backup Withholding. Under section 3406 of the Code, a beneficial owner of the Bonds who is a United States person may, under certain circumstances, be subject to “backup withholding” on payments of current or accrued interest on the Bonds or with respect to proceeds received from a disposition of the Bonds. This withholding applies if such beneficial owner of Bonds: (i) fails to furnish to the payor such beneficial owner’s social security number or other taxpayer identification number (“TIN”); (ii) furnishes the payor an incorrect TIN; (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Bonds. Beneficial owners of the Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as "portfolio interest." Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country that the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8BEN, Form W-8BEN-E, Form W-8EXP or Form W-8IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

Foreign Account Tax Compliance Act. Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain United States persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act ("FATCA") imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial United States owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Bonds and sales proceeds of Bonds held by or through a foreign entity. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

Reporting of Interest Payments. Subject to certain exceptions, the stated interest on the Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099-INT (or other appropriate reporting form) which will reflect the name, address, and taxpayer identification number of the owner. A copy of such Form 1099-INT will be sent to each beneficial owner of a Bond for federal income tax purposes.

The preceding discussion of certain United States federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the Bonds, including the applicability and effect of any state, local, or foreign tax law, and of any proposed change of applicable law.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds at a purchase price of \$_____ (equal to the principal amount of the Bonds, plus/less original issue premium/discount of \$_____ and less an underwriters' discount of \$_____). The Underwriters intends to offer the Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

MUNICIPAL ADVISOR

Kosmont Transactions Services, Inc., Manhattan Beach, California, served as municipal advisor (the "Municipal Advisor") to the City and Authority with respect to the sale of the Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

Kosmont Transactions Services, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

RATING

S&P Global Ratings ("S&P") has assigned a rating of "____" to the Bonds. S&P's rating reflects only the views of such organization and any explanation of the significance of such rating may be obtained from S&P. 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 agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

FINANCIAL STATEMENTS

The City's Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2020, which include the City's 2019-20 financial statements and the Independent Auditor's Report issued by Lance, Soll & Lunghardt, LLP, Certified Public Accountants, Brea, California, (the "Auditor") regarding such financial statements, are set forth in APPENDIX F. The Auditor was not requested to consent to the inclusion of its report in APPENDIX F and it has not undertaken to update financial statements included in APPENDIX F. No opinion is expressed by the Auditor with respect to any event subsequent to its report.

MISCELLANEOUS

All of the preceding description and summaries of the Bonds, the Indenture and the Lease, other applicable agreements, legislation and other documents 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. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The Authority and the City have duly authorized the execution and delivery of this Official Statement by their duly authorized officers.

**REDONDO BEACH COMMUNITY FINANCING
AUTHORITY**

By: _____
Joe Hoefgen, Executive Director

CITY OF REDONDO BEACH

By: _____
Joe Hoefgen, City Manager

APPENDIX A

INFORMATION REGARDING THE CITY OF REDONDO BEACH

The following information concerning the City of Redondo Beach (“City”) and the surrounding area is included herein only for the purpose of supplying general information regarding the community.

Population

The following table shows the population of the City and the County for the last ten years.

POPULATION STATISTICS

<u>Year (as of January 1)</u>	<u>City of Redondo Beach⁽¹⁾</u>	<u>Los Angeles County⁽²⁾</u>
2011	66,970	9,847,712
2012	67,007	9,889,520
2013	67,396	10,021,318
2014	67,717	10,089,847
2015	68,095	10,150,617
2016	68,844	10,182,961
2017	68,907	10,231,271
2018	68,677	10,283,729
2019	68,473	10,184,378
2020	66,900	10,135,614
2021	66,484	10,044,458

⁽¹⁾ Source: City of Redondo Beach Comprehensive Annual Financial Report, based on data from U.S. Department of the Census and the California State Department of Finance.

⁽²⁾ Source: U.S. Department of the Census and the California State Department of Finance.

Major Employers

The following table sets forth the top ten major employers located in the City for Fiscal Year 2020-21.

CITY OF REDONDO BEACH MAJOR EMPLOYERS (Fiscal Year 2020-21)

<u>Name</u>	<u>Type of Business or Entity</u>	<u>Employees</u>	<u>% of Total City Employment⁽¹⁾</u>
Northrup Grumman Corporation	Aerospace defense/technology	7,199	34.50%
Redondo Beach Unified School District	Education	966	4.63
City of Redondo Beach	City government	402	1.93
The Cheesecake Factory	Restaurant	261	1.25
Macy’s	Retail	242	1.16
Target Store	Retail	217	1.04
Frontier	Telecommunications	164	0.79
United States Post Office	Postal Service	152	0.73
Silverado Beach Cities	Assisted living facility	140	0.67
Civic Financial Services	Financial	133	0.64
		9,876	47.32%

Source: City of Redondo Beach, Comprehensive Annual Financial Report — For the Year Ending June 30, 2020.

(1) Based on 20,869 total City employees

Construction Activity

The following table presents building permit valuations for the City from calendar year 2016 through 2020.

CITY OF REDONDO BEACH					
Building Permit Valuation and New Housing Units					
	2016	2017	2018	2019	2020
<u>Residential</u>					
Single Family	\$30,845,636	\$29,346,591	\$16,557,579	\$18,348,384	\$6,944,322
Multi-Family	9,086,751	20,775,907	24,912,061	24,272,266	10,733,212
Alteration/Additions	12,054,796	13,563,806	13,926,703	11,763,427	13,778,644
Total	\$51,987,183	\$63,686,304	\$55,396,343	\$54,384,077	\$31,456,178
<u>Non-Residential</u>					
New Commercial	\$18,274,321	\$11,543,156	\$0	\$286,351	\$0
New Industry	0	0	-	-	-
Other ⁽¹⁾	1,129,381	2,963,438	2,075,593	1,094,000	750,035
Alteration/Additions	12,044,260	14,415,390	17,880,325	15,311,822	19,819,714
Total	\$31,142,962	\$28,921,984	\$19,955,918	\$16,692,173	\$20,569,749
Total All Industry ⁽²⁾	\$83,435,145	\$92,608,288	\$75,352,261	\$71,076,250	\$52,025,927
<u>New Housing Units</u>					
Single Family Units	92	79	39	45	21
Multi-Family Units	31	93	78	99	32
Total	123	172	117	144	53

Source: Construction Industry Research Board for calendar years 2016 and 2017 and City of Redondo Beach for calendar years 2018 - 2020.

(1) Includes churches and religious building, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

(2) May not add up due to rounding.

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Employment and Industry

Los Angeles-Long Beach-Glendale Metropolitan Division civilian labor force and wage and salary employment figures for calendar years 2017 through 2021 are shown in the following table.

Los Angeles-Long Beach-Glendale Metropolitan Division Industry Employment & Labor Force - by Annual Average

Category	2017	2018	2019	2020	2021 ⁽¹⁾
Civilian Labor Force	5,123,900	5,077,300	5,105,400	5,210,600	4,915,800
Civilian Employment	4,883,600	4,828,200	4,848,100	4,957,000	4,289,900
Civilian Unemployment	240,300	249,100	257,300	253,500	625,900
Civilian Unemployment Rate	4.70%	4.90%	5.00%	12.8%	12.70%
Total Farm	5,800	4,100	4,200	4,000	4,100
Total Nonfarm	4,435,700	4,461,200	4,508,600	4,579,700	4,014,400
Total Private	3,850,200	3,871,400	3,914,800	3,983,000	3,468,200
Goods Producing	490,100	485,500	485,400	488,700	446,600
Mining, Logging and Construction	139,900	142,800	146,000	152,800	147,700
Mining and Logging	2,200	2,000	1,900	1,800	1,600
Construction	137,700	140,800	144,100	151,000	146,100
Manufacturing	350,100	342,700	339,400	335,900	298,900
Durable Goods	202,000	199,200	200,000	199,600	178,400
Nondurable Goods	148,100	143,500	139,400	136,300	120,500
Service Providing	3,945,600	3,975,700	4,023,200	4,091,000	3,567,800
Private Service Providing	3,360,100	3,385,900	3,429,400	3,494,300	3,021,600
Trade, Transportation & Utilities	838,900	850,400	853,400	854,800	798,100
Information	214,500	219,400	220,000	228,200	173,100
Financial Activities	221,100	221,000	221,700	222,500	207,700
Professional & Business Services	613,400	610,900	631,300	637,300	582,800
Educational & Health Services	794,300	809,400	822,000	851,100	819,100
Leisure & Hospitality	523,900	518,900	526,400	540,900	327,900
Other Services	154,100	155,900	154,600	159,500	112,900
Government	585,500	589,800	593,800	596,700	546,200
Total, All Industries	4,441,400	4,465,300	4,512,800	4,583,700	4,018,500

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, Los Angeles-Long Beach-Glendale Metropolitan Division (Los Angeles County), Industry Employment & Labor Force - by Annual Average, March 2021 Benchmark.

⁽¹⁾ Data as of April 1, 2021.

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The following table summarizes the labor force, employment and unemployment figures for the years 2016 through 2020 for the City, the County, the State and the nation as a whole.

**CITY OF REDONDO BEACH, LOS ANGELES COUNTY,
STATE OF CALIFORNIA AND UNITED STATES
Average Annual Civilian Labor Force, Employment and Unemployment**

Year and Area	Labor Force	Employment ⁽¹⁾	Unemployment ⁽²⁾	Unemployment Rate (%) ⁽³⁾
2016				
City of Redondo Beach	40,600	39,300	1,300	3.2%
Los Angeles County	5,043,300	4,778,800	264,500	5.2
California	19,102,700	18,065,000	1,037,700	5.4
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Redondo Beach	39,300	38,100	1,200	3.0%
Los Angeles County	5,123,900	4,883,600	240,300	4.7
California	19,311,700	18,387,800	923,900	4.8
United States	160,597,000	154,021,000	6,576,000	4.1
2018				
City of Redondo Beach	41,300	39,800	1,600	3.80%
Los Angeles County	5,095,500	4,860,300	235,200	4.6
California	19,239,000	18,407,000	964,000	
United States	161,765,000	155,266,000	6,499,000	4.0
2019				
City of Redondo Beach	41,500	40,000	1,500	3.60%
Los Angeles County	5,121,600	4,894,300	227,300	4.4
California	19,318,000	18,507,000	811,000	4.2
United States	163,010,000	156,809,000	6,201,000	3.8
2020				
City of Redondo Beach	38,700	35,000	3,800	9.70%
Los Angeles County	4,921,500	4,291,700	629,800	12.8
California	19,169,000	18,305,000	864,000	4.5
United States	162,721,000	155,536,000	7,185,000	4.4

Source: California Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics, March 2020 Benchmark.

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

APPENDIX B
FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Norton Rose Fulbright US LLP, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

_____, 2021

[to come]

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

DTC'S BOOK-ENTRY ONLY SYSTEM

The information in this APPENDIX Concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and neither the Authority nor the City takes responsibility for the completeness or accuracy thereof. The Authority and the City cannot and do 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 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth in such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on

behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Bonds 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, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Authority believe to be reliable, but the City and the Authority take no responsibility for the accuracy thereof.

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of July 1, 2021, is executed and delivered by the City of Redondo Beach (the "City"), and Kosmont Transactions Services, as dissemination agent (the "Dissemination Agent") in connection with the issuance by the Redondo Beach Community Financing Authority (the "Authority") of its \$[principal amount] aggregate initial principal amount of Taxable Lease Revenue Refunding Bonds, Series 2021A (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of July 1, 2021 (the "Indenture"), by and between the City and U.S. Bank National Association. The City and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement, 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 Agreement.

"Dissemination Agent" shall mean Kosmont Transaction Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system located at <http://www.emma.msrb.org>, which is the centralized on-line repository for municipal disclosure documents to be filed with the MSRB pursuant to the Rule, or such other successor repository site as prescribed by the MSRB.

"Financial Obligation" shall mean a: (A) Debt obligation; (B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) Guarantee of any financial obligation outlined in the foregoing (A) or (B). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Obligated Person" shall mean the City.

"Official Statement" shall mean the final Official Statement, dated __, 2021, relating to the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“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.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than March 31 after the end of the City’s fiscal year of each year, commencing March 31, 2022 with the report for the 2020-2021 fiscal year, provide to the MSRB, via EMMA, in an electronic format accompanied by identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) above for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by the date specified in subsection (a) above, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the first sentence of this subsection (b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice, in a timely manner, to the MSRB in substantially the form attached as Exhibit A, or in such other form as prescribed or acceptable to MSRB.

(d) The Dissemination Agent (if other than the City) shall, if and to the extent the City has provided an Annual Report in final form to the Dissemination Agent for dissemination, file a report with the City (which may be provided electronically on the Dissemination Agent’s website) certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the City prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the 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) A statement of any investment losses incurred by the City's General Fund in excess of \$1,000,000 in any Fiscal Year:

(c) An update of Tables 2-9 and 11 contained in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of 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 Listed Events with respect to the Bonds, which notice shall be given in a timely manner, not in excess of ten (10) business days after the occurrence of such Listed Event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material
- (11) Rating changes;

- (12) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
- (13) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

(b) The Dissemination Agent shall, within one (1) business day after obtaining knowledge of the occurrence of any of the events listed in Section 5(a) (1), (3), (4), (5), (6), (9), (11) or (12), inform the City of the occurrence of such event. As soon as reasonably practicable after obtaining knowledge of the occurrence of such event (regardless of whether the source of the information is the Dissemination Agent pursuant to the foregoing sentence or another source), the City shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

(c) The Dissemination Agent shall, within one (1) business day after obtaining knowledge of the occurrence of any of any of the events listed in Section 5(a) (2), (7), (8), (10), (13) or (14), inform the City of the occurrence of such event and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d).

(d) Whenever the City obtains knowledge of the occurrence of any event specified in Section 5(a) (2), (7), (8), (10), (13) or (14), the City shall as soon as possible, in order to meet the ten (10) business day deadline to file notices required under the Rule and pursuant to the following sentence, determine if such event would be material under applicable Federal securities law. If the City determines that knowledge of the occurrence of such event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full

of all the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 7. Dissemination Agent.

(a) The City hereby appoints and engages the Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement. 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. The City may replace the Dissemination Agent with or without cause. If at the time there is no designated Dissemination Agent appointed by the City, the City shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties hereunder by giving 30-days written notice to the City.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees agreed to between the Dissemination Agent and the City from time to time and for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review or verify any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, holders or beneficial owners of the Bonds or any other party. The Dissemination Agent's obligation to deliver the information at the times and with the content described herein shall be limited to the extent the City has provided such information to the Dissemination Agent as required by this Disclosure Agreement. The Dissemination Agent shall have no responsibility for the City's failure to report to the Dissemination Agent a Listed Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine or liability for failing to determine whether the City has complied with this Disclosure Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the City or an opinion of bond counsel.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an Obligated Person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of

holders, or (ii) does not, in the opinion of bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. For purposes of this paragraph, "impact" has the meaning as that word is used in the letter from the staff of the Securities and Exchange Commission to the National Association of Bond Lawyers dated June 23, 1995.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB in the same manner as for a Listed Event under Section 5(b).

No amendment to this Agreement which modifies the duties or rights of the Dissemination Agent shall be made without the prior written consent of the Dissemination Agent. The Dissemination Agent may rely conclusively on any opinion of bond counsel delivered pursuant to the provisions of this Section 8, and shall have no duty to determine or liability for failing to determine whether any amendment made pursuant to this Section 8 is consistent with guidance provided by the Securities and Exchange Commission with regard to permitted amendments, or the manner of effecting such amendments, under the Rule.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the City shall have no obligation under this Disclosure Agreement 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 of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING
BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Redondo Beach Community Financing Authority

Name of Bond Issue: \$[principal amount] Redondo Beach Community Financing Authority
Lease Revenue Bonds, Series 2021A

Date of Issuance: July __, 2021

NOTICE IS HEREBY GIVEN that the City of Redondo Beach (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of July 1, 2021, by and between the City and Kosmont Transaction Services, as dissemination agent. The City anticipates that the Annual Report will be filed by _____.

Date: _____, 20__

By: _____
Title: _____

cc: City Manager, City of Redondo Beach

APPENDIX F

**CITY OF REDONDO BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2020**

§ _____
REDONDO BEACH COMMUNITY FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2021A (FEDERALLY TAXABLE)

BOND PURCHASE AGREEMENT

_____, 2021

Redondo Beach Community Financing Authority
415 Diamond Street
Redondo Beach, California 90277

City of Redondo Beach
415 Diamond Street
Redondo Beach, California 90277

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated, on behalf of itself and on behalf of Samuel A. Ramirez & Co., Inc. (collectively, the “**Underwriter**”), hereby offers to enter into this Bond Purchase Agreement with you, the City of Redondo Beach (the “**City**”) and the Redondo Beach Community Financing Authority (the “**Authority**”), for the purchase by the Underwriter and the delivery by you of the Authority’s Lease Revenue Bonds, Series 2021A (Federally Taxable) (the “**Bonds**”). The Bonds are being issued to provide funds to pay all or a portion of the City’s currently unamortized, unfunded accrued actuarial liability to the California Public Employees’ Retirement System for the benefit of City employees and to pay the costs incurred in connection with the issuance of the Bonds. This offer is made subject to acceptance by you prior to 11:59 p.m., Los Angeles time, on the date hereof. Upon such acceptance, this Bond Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon you and the Underwriter.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter agrees to purchase from the Authority all (but not less than all) of the \$ _____ aggregate principal amount of the Bonds.

The purchase price for the Bonds shall be \$ _____ (being the principal amount of the Bonds, and less an Underwriter’s discount in the amount of \$ _____).

The Bonds will be dated the date of delivery thereof and will have the maturities and bear interest at the rates set forth on Exhibit A hereto. The Bonds will be subject to redemption as set forth in the Indenture and Official Statement herein described. The Bonds will be issued in book-entry form only. It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Bond Purchase Agreement.

2. Authorizing Instruments and Law. The Bonds shall be issued pursuant to the provisions of a resolution (the “**Resolution**”) adopted by the Authority on June ____, 2021 authorizing

the issuance of the Bonds and the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584, *et seq.* of the California Government Code (the “**JPA Act**”). The Bonds are issued pursuant to an Indenture, dated as of July 1, 2021 (the “**Indenture**”), between the Authority and U.S. Bank National Association, as trustee (the “**Trustee**”), and shall be as described in the Indenture.

The Bonds are limited obligations of the Authority payable primarily from and secured by certain base rental payments (the “**Base Rental Payments**”) to be paid by the City pursuant to a Lease Agreement, dated as of July 1, 2021, between the City and the Authority (the “**Lease**”), for certain real property and the improvements thereon (the “**Leased Property**”) as described in the Official Statement (defined below).

3. Offering the Bonds. The Underwriter agrees to offer all the Bonds to the public initially at the prices (or yields) set forth on the cover pages of the Official Statement of the Authority pertaining to the Bonds, dated _____, 2021 (the Official Statement, together with all appendices thereto, and with such changes therein and supplements thereto as are consented to in writing by the Authority, the City, the Underwriter or its legal counsel in accordance with the provisions of Sections 6(j) and 7(j) hereof or otherwise consented to by the Underwriter pursuant to Section 10(b)(v), are herein called the “**Official Statement**”). Subsequent to the initial public offering of the Bonds, the Underwriter reserves the right to change the public offering prices (or yields) as they deem necessary in connection with the marketing of the Bonds. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. “Public Offering” shall include an offering to a number of institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold.

The City and the Authority acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm’s-length commercial transaction between the City, the Authority and the Underwriter, and that the Underwriter has financial and other interests that differ from those of the City and the Authority, (ii) in connection with such transaction the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the City and the Authority or any other person or entity and have not assumed a fiduciary responsibility in favor of the City or the Authority with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the City or the Authority on other matters), (iii) the only contractual obligations the Underwriter has to the City and the Authority with respect to the transaction contemplated hereby expressly are set forth in this Bond Purchase Agreement, except as otherwise provided by applicable rules and regulations of the SEC or the rules of the Municipal Securities Rulemaking Board (the “**MSRB**”) and (iv) the City and the Authority have consulted with their own legal and other professional advisors to the extent they deemed appropriate in connection with the offering of the Bonds. The City and the Authority acknowledge that they have previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the MSRB relating to disclosures concerning the Underwriter’s role in the transaction, disclosures concerning the Underwriter’s compensation, conflict disclosures, if any, and disclosures concerning complex municipal securities financing, if any.

4. Delivery of Official Statement. If requested by the Underwriter, the Authority shall deliver to the Underwriter two (2) copies of the Official Statement manually executed on behalf of the Authority and the City. The Authority shall also deliver copies of the Official Statement in such quantities as the Underwriter may reasonably request in order to enable the Underwriter to distribute a single copy of each Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available

and ending on the End Date (defined below). The Authority shall deliver these copies to the Underwriter within seven (7) business days after the execution of this Bond Purchase Agreement and in sufficient time to accompany or precede any sales confirmation that requests payment from any customer of the Underwriter. The Authority and the Underwriter hereby agree that the end of the underwriting period shall be the date of Closing (as defined below) unless the Underwriter informs the Authority in writing of a different end of the underwriting period.

“End Date” as used herein is that date which is the earlier of:

(a) twenty-five (25) days after the end of the underwriting period, as defined in SEC Rule 15c2-12 originally adopted by the Securities and Exchange Commission on June 28, 1989, as amended (“**Rule 15c2-12**”); or

(b) the time when the Official Statement becomes available from the MSRB, but in no event less than twenty-five (25) days after the underwriting period (as defined in Rule 15c2-12) ends.

The Underwriter acknowledges that the “End Date” will be the date of Closing unless the Underwriter otherwise notifies the Authority and the City in writing that the Underwriter still owns some or all of the Bonds.

The Authority and the City have authorized the use of the Official Statement in connection with the public offering of the Bonds. The Authority and the City also have consented to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement dated _____, 2021, relating to the Bonds in connection with the public offering of the Bonds, (which, together with all appendices thereto, is herein called the “**Preliminary Official Statement**”). Authorized officers of the City and the Authority have certified to the Underwriter that such Preliminary Official Statement was deemed to be final as of its date for purposes of Rule 15c2-12, with the exception of certain final pricing and related information referred to in Rule 15c2-12. The Underwriter has distributed a copy of each Preliminary Official Statement to potential customers on request.

5. The Closing. At 9:00 A.M., California time, on _____, 2021, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Authority, the City and the Underwriter, the Authority, upon receipt of the purchase price thereof, will deliver (i) the Bonds in book-entry form through the facilities of The Depository Trust Company (“**DTC**”), and (ii) the closing documents hereinafter mentioned at the offices of Norton Rose Fulbright US LLP, Los Angeles, California (“**Bond Counsel**”), or another place to be mutually agreed upon by the Authority, the City and the Underwriter. The Underwriter will accept such delivery from the Authority. The Underwriter will pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer of immediately available funds. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the “**Closing**.”

6. City Representations, Warranties and Covenants. The City represents, warrants and covenants to the Underwriter that:

(a) The City is a charter city organized and operating pursuant to the laws of the State of California (the “**State**”) with power and authority to enter into and perform its duties under the Lease, the Continuing Disclosure Agreement, dated the date of Closing (the “**Continuing Disclosure Agreement**”), the Site Lease, dated as of July 1, 2021 (the “**Site Lease**”), between the City

and the Authority, the Official Statement and this Bond Purchase Agreement (collectively, the “**City Documents**”).

(b) To the best knowledge of the City, neither the approval, execution and delivery of the City Documents, and compliance with the provisions on the City’s part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, materially conflicts with or constitutes a material breach of or default under nor materially contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in a security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the City Documents.

(c) The City Documents have been duly authorized, executed and delivered by the City, and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other laws affecting the enforcement of creditors’ rights generally, and by the application of equitable principles if sought, by the exercise of judicial discretion, and by the limitations on legal remedies imposed on actions against cities in the State.

(d) Except as may be required under blue sky or other securities laws of any state, there is no material consent, approval, authorization or other order of, or filing with, or certification by, any regulatory agency having jurisdiction over the City required for the execution and delivery of the Bonds or the consummation by the City of the other transactions contemplated by the Official Statement and this Bond Purchase Agreement.

(e) To the best of the knowledge of the City, there is, and on the Closing there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending (notice of which has been received by the City) or threatened against the City to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Lease, or in any way contesting or affecting the validity of the City Documents or the Bonds or the authority of the City to approve this Bond Purchase Agreement, or enter into the City Documents or contesting the powers of the City to enter into or perform its obligations under any of the foregoing or in any way contesting the powers of the City in connection with any action contemplated by this Bond Purchase Agreement or to restrain or enjoin the execution, sale and delivery of the Bonds, contesting the completeness or accuracy of the Preliminary Official Statement as of its date or the Official Statement or any supplement or amendment thereto wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the City Documents to be executed by it or asserting that the Preliminary Official Statement as of its date or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of all the circumstances under which they were made, not misleading, or, except as described in the Preliminary Official Statement and the Official Statement, nor is there any basis for any such action, suit, proceeding or investigation.

(f) The Preliminary Official Statement provided to the Underwriter has been deemed final by the City, as required by Rule 15c2-12. As of the date thereof and at all times

subsequent thereto up to and including the Closing, the information relating to the City, the Bonds, the Leased Property and the City Documents contained in the Official Statement was and will be materially complete for its intended purposes. The information relating to the City, the Bonds, the Leased Property and the City Documents contained in the Official Statement as of the date hereof is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(g) The City agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the City will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign corporation in any jurisdiction where it is not so qualified. The Underwriter shall be responsible for all costs relating to such qualification of the Bonds under blue sky or similar laws.

(h) By official action of the City prior to or concurrently with the execution hereof, the City has duly approved the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in the City Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Bond Purchase Agreement.

(i) To the best knowledge of the City, it is not in any material respect in breach of or default under any material applicable law or administrative regulation of the State or the United States or any material applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject and in connection with which the City is obligated to make payments from its own funds, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument the consequence of which could materially and adversely affect the performance of the City under the City Documents.

(j) If between the date of this Bond Purchase Agreement and the End Date an event occurs, of which the City has knowledge, which might or would cause the information relating to the City, the City's finances, the Leased Property, or the City's functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading in any material respect, the City will notify the Underwriter, and if, in the opinion of the Underwriter, the City or their respective legal counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid for by the City.

(k) If the information relating to the Leased Property, the City, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date of the Closing, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not

contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading in any material respect.

(l) Any certificate signed by a duly authorized official of the City and delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(m) As of the time of acceptance hereof and as of the Closing, the City does not and will not have outstanding any indebtedness which is payable from the City's general fund except as disclosed in the Official Statement.

(n) Between the date of this Bond Purchase Agreement and the date of Closing, the City will not, except as disclosed in the Official Statement, offer or issue any certificates, notes or other obligations for borrowed money, or, other than in the normal course of its operations, incur any material liabilities, direct or contingent, secured by or payable from the City's general fund.

(o) The City will undertake, pursuant to the Continuing Disclosure Agreement, to provide or cause to be provided annual financial reports and notices of certain events; a description of this undertaking is set forth in the Official Statement. Except as disclosed in the Preliminary Official Statement and Official Statement, the City and its related entities have not failed to comply in any material respect with a continuing disclosure undertaking under Rule 15c2-12 during the previous five years.

(p) The City is the owner in fee of title of the Leased Property and no other governmental authority, person, firm or corporation can claim ownership to the Leased Property.

(q) As of the time of acceptance hereof and as of the Closing, the value of the Leased Property is not less than the initial aggregate principal amount of the Bonds.

(r) The financial statements of, and other financial information regarding the City in the Official Statement fairly present the financial position and results of the operations of the City as of the dates and for the periods therein set forth and the audited financial statements have been prepared in accordance with generally accepted accounting principles applicable to cities.

7. Authority Representations, Warranties and Covenants. The Authority represents, warrants and covenants to the City and the Underwriter that:

(a) The Authority is a joint powers authority, duly organized and existing under the Constitution (the "**Constitution**") and laws of the State, including the JPA Act, with full right, power and authority to enter into, execute and deliver the Authority Documents (defined below) and to perform its obligations hereunder.

(b) By all necessary official action, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in the Bond Purchase Agreement, the Bonds, the Indenture, the Lease, the Site Lease, and the Assignment Agreement, dated as of July 1, 2021 (the "**Assignment Agreement**"), between the Authority and the Trustee (collectively, the "**Authority Documents**"), and has approved the use by the Underwriter of the Preliminary Official Statement, and the Official Statement and, as of the date

hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered by the parties hereto, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable upon the Authority in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors rights generally, to the exercise of judicial discretion and to the limitations on legal remedies against joint powers authorities in California. The Authority has complied and will at the Closing, be in compliance in all respects, with the terms of the Authority Documents.

(c) The Bonds, when issued in accordance with the Indenture, will be valid and binding limited obligations of the Authority, entitled to the benefits of the Indenture and enforceable in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally, to the exercise of judicial discretion and to the limitations on legal remedies against joint powers authorities in California.

(d) As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, to the best knowledge of the Authority, the Authority is not and will not be in any material respect in breach of or in default under any law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument which breach, default or event could have an adverse effect on the Authority's ability to perform its obligations under the Authority Documents; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the Authority Documents and compliance by the Authority with the provisions thereof do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties under the terms of any such law, regulation or instrument except as provided in the Authority Documents.

(e) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending (notice of which has been received by the Authority), or to the best knowledge of the Authority threatened against the Authority in any material respect:

(i) affecting the existence of the Authority or the titles of the officers of the Authority to their respective offices;

(ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Authority Documents or the consummation of the transactions on the part of the

Authority contemplated thereby, or contesting the exclusion of the interest on the Bonds from Federal or State taxation, as applicable, or contesting the powers of the Authority or its authority to enter into the Lease and to pledge the Base Rental Payments for repayment of the Bonds;

(iii) which may result in any material adverse change relating to the financial condition of the Authority;

(iv) contesting the completeness or accuracy of the Preliminary Official Statement as of its date or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement as of its date or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of all the circumstances under which they were made, not misleading; or

(v) challenging the ability of the Authority to sell the Bonds to the Underwriter.

(f) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the blue sky laws or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; *provided however*, that in no event shall the Authority be required to take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject.

(g) Any certificate signed by a duly authorized officer of the Authority and delivered to the Underwriter shall be deemed to be a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(h) As of the time of acceptance hereof and as of the date of Closing, except as otherwise disclosed in the Official Statement, the Authority has complied with the filing requirements of the JPA Act.

(i) The Authority will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement from the delivery of the Official Statement to the End Date and will not effect or consent to any such amendment or supplement without prior consultation with the Underwriter. The Authority will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(j) For a period beginning on the date hereof and continuing until the End Date, (a) the Authority will not adopt any amendment of, or supplement to, the Official Statement without prior consultation with the Underwriter and Kutak Rock LLP, counsel to the Underwriter ("**Underwriter's Counsel**") and (b) if any event relating to or affecting the Authority shall occur as a result of which it is necessary, in the opinion of the Underwriter and Underwriter's Counsel, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser of the Bonds, the Authority will forthwith cause the City to prepare and furnish to the Underwriter a reasonable number of copies

of an amendment of, or supplement to, the Official Statement (in form and substance satisfactory to Underwriter's Counsel) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser of the Bonds, not misleading.

8. [Reserved].

9. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations, warranties and covenants herein and the performance by the Authority and the City of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations hereunder are and shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the Authority and the City contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing:

(i) the City Documents and the Authority Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the prior written consent of the Underwriter;

(ii) there shall be in full force and effect such resolutions (the "**Authorizing Resolutions**") as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions on the part of the Authority and the City contemplated by the City Documents and the Authority Documents;

(iii) the Authority shall perform or have performed its obligations required or specified in the Authority Documents to be performed at or prior to Closing;

(iv) the City shall perform or have performed its obligations required as specified in the City Documents to be performed at or prior to Closing; and

(v) the Official Statement shall not have been supplemented or amended, except pursuant to Paragraph 6(j) or 7(j), or as otherwise may have been agreed to in writing by the Underwriter.

(c) No Default. At the time of the Closing, no default shall have occurred or be existing under the Authority Documents or the City Documents and neither the Authority nor the City shall be in default in the payment of principal or interest on any of its bonded indebtedness or other obligations payable from the City's general fund which default shall adversely impact the ability of the Authority to make payments on the Bonds or the City to make payments pursuant to the Lease.

(d) Termination Events. The Underwriter shall have the right to terminate this Bond Purchase Agreement, without liability therefor, by written notification to the Authority and the City if at any time at or prior to the Closing the market price or marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall have been materially

adversely affected in the reasonable judgment of the Underwriter (evidenced by a written notice to the City and the Authority terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds) by reason of any of the following:

(i) an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of the Authority Documents or the City Documents in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other Federal or State authority materially adversely affecting the Federal or State tax status of the Authority or the City, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(ii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the States or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(iii) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(iv) the New York Stock Exchange or other national securities exchange, or any governmental or regulatory authority, shall impose, as to the Bonds or obligations of the general character of the Bonds, 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 Underwriter; or

(v) a general banking moratorium shall have been established by federal or State authorities; or

(vi) there shall have occurred (i) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war or (ii) any other calamity or crisis

in the financial markets of the United States or elsewhere or the escalation of such calamity or crisis;
or

(vii) the commencement of any action, suit or proceeding described in Paragraphs 6(e) or 7(e) hereof; or

(viii) a general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; or

(ix) any event occurring or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue or incorrect in any material respect any statement or information contained in the Preliminary Official Statement or in the Official Statement or has the effect that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(x) any rating of the Bonds or other obligations of the City shall have been downgraded, suspended or withdrawn or placed on negative outlook or negative watch by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(xi) any proceeding shall be pending or threatened by the Securities and Exchange Commission against the Authority or the City; or

(xii) any fact or event shall exist or have existed that requires or has required an amendment of or supplement to the Official Statement in which the market price or marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall have been materially adversely affected in the reasonable judgment of the Underwriter; or

(xiii) there shall have occurred any materially adverse change in the affairs or financial condition of the Authority or the City; or

(xiv) a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(xv) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially and adversely affected by disruptive events, occurrences or conditions in the securities or debt markets; or

(xvi) a decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Bond Purchase Agreement or by the Official Statement, or any document relating to the issuance,

offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Exchange Act and the Trust Indenture Act.

(e) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents:

(1) Bond Opinion. The approving opinions of Bond Counsel dated the date of Closing and substantially in the forms included as APPENDIX B to the Official Statement and a reliance letter(s) thereon dated the date of Closing addressed to the Underwriter and the Trustee.

(2) Supplemental Opinion. A supplemental opinion of Bond Counsel dated the date of Closing, addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions "INTRODUCTION," "THE BONDS," "THE LEASED PROPERTY," "SECURITY FOR THE BONDS," and "TAX MATTERS," and in "APPENDIX B – FORM OF BOND COUNSEL OPINION" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS," excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the Bonds, the Lease, the Site Lease, the Indenture, and Bond Counsel's final opinion concerning certain federal tax matters relating to the Bonds, are accurate in all material respects as of the date of Closing; provided, that Bond Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to DTC or the book-entry system in which the Bonds are initially delivered;

(B) The Lease, the Site Lease, the Assignment Agreement, the Continuing Disclosure Agreement and this Bond Purchase Agreement have been duly authorized, executed and delivered by the City and the Authority, as applicable, and are valid, legal and binding agreements of the City and the Authority enforceable in accordance with their terms, except that the rights and obligations under the Lease, the Site Lease, the Assignment Agreement, the Continuing Disclosure Agreement and this Bond Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

(C) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(3) Negative Assurance Letter of Disclosure Counsel. A letter of Richards, Watson & Gershon A Professional Corporation, Disclosure Counsel to the Authority and the City, dated the date of Closing and addressed to the Authority, the City, and the Underwriter to the effect that based upon their participation in the preparation of the Official Statement as Disclosure Counsel to the Authority and without having undertaken to determine independently the accuracy or completeness of the contents in the Official Statement, such counsel has no reason to believe that the Preliminary Official Statement (except for the completion of pricing information and any other matters or terms of the Bonds relating thereto) as of its date or as of the date of this Purchase Agreement or the

Official Statement as of its date or as of the date of the Closing (except that no opinion need be expressed as to any financial, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, maps, estimates, projections, assumptions or expressions of opinion, any information about feasibility, valuation, appraisals, assessed values, market absorption, real estate, ownership, environmental or archaeological matters, Appendices B, C, D, E or F thereto, or any information about book-entry, The Depository Trust Company, debt service requirements or tax exemption included or referred to therein, which may be expressly excluded from the scope of the opinions), contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(4) Municipal Advisor Certificate (Kosmont Transactions Services). A certificate of Kosmont Transactions Services, Inc. ("KTS"), dated the Closing Date and addressed to the Authority, the City and the Underwriter, to the effect that (i) KTS has reviewed the Preliminary Official Statement and the Official Statement and (ii) no information has come to its attention which would lead it to believe that the information contained in the Preliminary Official Statement, as of its date and as of the date of this Purchase Agreement and the Official Statement, as of its date and the Closing Date, is not true or correct in all material respects, or that the Preliminary Official Statement, as of its date and as of the date of this Purchase Agreement and the Official Statement, as of its date and the Closing Date contains any untrue statement of a material fact or omits to state a material fact where necessary to make a statement not misleading.

(5) Opinion of City Attorney. An opinion of the City Attorney, dated the date of the Closing and addressed to the Authority, the Trustee and the Underwriter, to the effect that:

(A) the City is a charter city duly organized and validly existing under the Constitution and laws of the State of California;

(B) the resolution of the City approving and authorizing the execution and delivery of the City Documents and approving and authorizing the issuance of the Bonds and the delivery of the Official Statement and other actions of the City was duly adopted at a meeting of the governing body of the City which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the resolution is now in full force and effect and has not been amended or superseded in any way;

(C) the City Documents have been duly authorized, executed and delivered by the City, and (assuming due execution and delivery by parties other than the City) are valid, legal and binding agreements of the City enforceable in accordance with their terms, except that the rights and obligations under the City Documents are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State;

(D) the authorization, execution and delivery of the Bonds, the Official Statement, and the City Documents by the City and compliance with the provisions thereof by the City of its obligations thereunder, will not conflict with, or constitute a breach or default under, in any material respect, any law, administrative regulation, court decree, resolution, ordinance or other agreement to which the City is subject or by which it is bound; and

(E) there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending with respect to which the City has been served or, to such counsel's knowledge, threatened against or affecting the City, except as may be disclosed in the Official Statement, which would materially adversely impact the City's ability to complete the transactions contemplated by the City Documents, the Official Statement or any other document or certificate related to such transactions, restrain or enjoin the collection of Base Rental Payments with respect to the Lease, or in any way contesting or affecting the validity of the Bonds, the Official Statement or the City Documents.

(6) Authority Counsel Opinion. An opinion of counsel to the Authority, dated the date of the Closing and addressed to the City, the Trustee and the Underwriter, to the effect that:

(A) the Authority is a joint exercise of powers authority organized and existing under the laws of the State of California;

(B) the resolution of the Authority approving and authorizing the execution and delivery of the Authority Documents, the Bonds and the Official Statement and other actions of the Authority was duly adopted at a meeting of the governing body of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the resolution is now in full force and effect and has not been amended or superseded in any way;

(C) the Authority Documents have been duly authorized, executed and delivered by the Authority, and (assuming due execution and delivery by parties other than the Authority) are valid, legal and binding agreements of the Authority enforceable in accordance with their terms, except that the rights and obligations under the Authority Documents are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State;

(D) there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending with respect to which the Authority has been served or, to the such counsel's knowledge, threatened against or affecting the Authority, except as may be disclosed in the Official Statement, which would materially adversely impact the Authority's ability to complete the transactions contemplated by the Authority Documents, the Official Statement or any other document or certificate related to such transactions, restrain or enjoin the collection of Base Rental Payments with respect to the Lease, or in any way contesting or affecting the validity of the Bonds, the Official Statement, the Authority Documents or the transactions described in and contemplated thereby wherein an unfavorable decision, ruling or finding would materially adversely affect the validity and enforceability of the Bonds or the Authority Documents or in which a final adverse decision could materially adversely affect the operations of the Authority; and

(E) the execution and delivery of the Authority Documents and the issuance of the Bonds and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject, which breach or default

has or may have a material adverse effect on the ability of the Authority to perform its obligations under the Authority Documents.

(7) Underwriter's Counsel Opinion. An opinion of Underwriter's Counsel, dated the date of the Closing addressed to the Underwriter, in such form as may be acceptable to the Underwriter.

(8) City Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the City satisfactory in form and substance to the Underwriter to the effect that: (a) the representations, warranties and covenants of the City contained in this Bond Purchase Agreement are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing; (b) the City has complied with all agreements, covenants and conditions to be complied with by the City at or prior to the Closing under the City Documents; (c) to the best of such official's knowledge, no event affecting the City has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(9) Authority Certificate. A certificate of the Authority, dated the date of the Closing, signed on behalf of the Authority by the Chair or other duly authorized officer of the Authority to the effect that (a) the representations, warranties and covenants of the Authority contained herein and in the Authority Documents are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing; (b) the Authority has complied with all agreements, covenants and conditions to be complied with by the Authority at or prior to the Closing under the Authority Documents and (c) to the best of such official's knowledge, no event affecting the Authority has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(10) Trustee's Certificate. A certificate of the Trustee, dated the Closing Date, in form and substance acceptable to the Authority, Bond Counsel, the Underwriter and Underwriter's Counsel.

(11) Trustee Incumbency Certificate. A certified copy of a certificate of an officer of the Trustee certifying as to the incumbency, signature and signing authority of the officers who have executed and delivered the Indenture and agreed to accept the duties of Trustee under the Indenture.

(12) Trustee Counsel's Opinion. An opinion, dated the date of the Closing addressed to the Authority, the City and the Underwriter, of the Trustee's Counsel, in form and content satisfactory to the Authority, Bond Counsel, the Underwriter and Underwriter's Counsel.

(13) Transcripts. Two CD transcripts of the proceedings prepared by Bond Counsel relating to the authorization and issuance of the Bonds will be delivered in due course after the Closing.

(14) Official Statement. The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the Authority by a duly authorized officer of each.

(15) Documents. An original executed or certified copy of each of the Authority Documents, the City Documents and the Joint Exercise of Powers Agreement (the “**JPA Agreement**”), dated as of July 2, 2012, between the City and the Redondo Beach Parking Authority and any amendments thereto.

(16) City Resolution. Certified copy by the City Clerk, of each resolution of the City relating to the City Documents, the actions contemplated thereby, provided that such resolutions may be contained in the transcripts.

(17) Authority Resolution. Certified copy by the Secretary or Assistant Secretary of the Authority, of each resolution of the Authority relating to the Authority Documents, the Bonds and the transactions contemplated thereby, provided that such resolutions may be contained in the transcripts.

(18) Rating. Evidence as of the Closing satisfactory to the Underwriter that the Bonds have received the rating set forth in the Official Statement and that such rating has not been reduced or withdrawn.

(19) CDIAC Statement. A copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to section 53583 of the Government Code and section 8855(g) of the Government Code.

(20) Additional Documents. Such additional certificates, instruments and other documents as the Underwriter and Bond Counsel may reasonably deem necessary.

If the Authority or the City shall be unable to satisfy the conditions contained in this Bond Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement may be terminated by the Underwriter, and none of the Underwriter, the Authority or the City shall be under further obligation hereunder.

10. Expenses. Except as otherwise provided in this Section, the Underwriter shall be under no obligation to pay, and the Authority or the City shall pay or cause to be paid, the expenses incident to the performance of the obligations of the Authority and the City hereunder including but not limited to:

(a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the City Documents and the Authority Documents and the cost of preparing, printing, issuing and delivering the Bonds;

(b) the fees and disbursements of any counsel, municipal advisors, accountants, or other experts or consultants retained by the Authority or the City;

(c) the fees and disbursements of Bond Counsel and Disclosure Counsel;

(d) the cost of preparation and printing the Preliminary Official Statement and any supplements and amendments thereto and the cost of preparation and printing of the Official Statement, including a reasonable number of copies thereof for distribution by the Underwriter; and

(e) charges of rating agencies for the rating of the Bonds.

The Underwriter shall pay all expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds including, but not limited to: (i) the fees and disbursements of Underwriter's Counsel; and (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds (including other expenses, fees of the California Debt and Investment Advisory Commission, CUSIP Service Bureau fees, and any other fees and expenses), except as otherwise provided in the preceding paragraph or otherwise agreed to by the Underwriter, the Authority and the City in writing. Any meals in connection with or adjacent to meetings, rating agency presentations, pricing activities or other transaction-related activities shall be considered an expense of the transaction and included in the expense component of the Underwriter's discount.

11. Notice. Any notice or other communication to be given to the Underwriter may be given by delivering the same to Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Public Finance Department. Any notice or other communication to be given to the Authority or the City pursuant to this Bond Purchase Agreement may be given by delivering the same in writing to such entity, at the addresses set forth on the cover page hereof.

12. Entire Agreement. This Bond Purchase Agreement, when accepted by the Authority and the City, shall constitute the entire agreement among the Authority, the City and the Underwriter and is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns of any Underwriter). Except as provided in Section 16 below, no other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All the Authority's and the City's representations, warranties and agreements in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter, until the earlier of (a) delivery of and payment for the Bonds hereunder, and (b) any termination of this Bond Purchase Agreement.

13. Definitions. Terms not otherwise defined herein shall have the same meaning as when used in the Indenture or the Lease.

14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

15. State of California Law Governs. The validity, interpretation and performance of the Authority Documents shall be governed by the laws of the State.

16. No Assignment. The rights and obligations created by this Bond Purchase Agreement shall not be subject to assignment by the Underwriter, the Authority or the City without the prior written consent of the other parties hereto.

17. Counterparts. This Bond Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED
SAMUEL A. RAMIREZ & CO., INC.**

**By: STIFEL, NICOLAUS & COMPANY,
INCORPORATED**

By: _____
Managing Director

The foregoing is hereby agreed to and accepted as of the date first above written:

**REDONDO BEACH COMMUNITY FINANCING
AUTHORITY**

By: _____
Title: _____

Time of Execution: _____ p.m. California time

CITY OF REDONDO BEACH

By: _____
Title: _____

Time of Execution: _____ p.m. California time

[EXECUTION PAGE OF BOND PURCHASE AGREEMENT]

EXHIBIT A

MATURITY SCHEDULE

\$ _____
REDONDO BEACH COMMUNITY FINANCING AUTHORITY
LEASE REVENUE BONDS
SERIES 2021A (FEDERALLY TAXABLE)

MATURITY SCHEDULE

<u>Maturity (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
20__ ^(T)				
20__ ^(T)				

^(T) Term Bond.

