



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 them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the 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.

**S&P: “\_\_\_”**  
**(See “RATING” herein)**

*In the opinion of Stradling Yocca Carlson & Rauth, LLP, Sacramento, California (“Special Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2025 Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Special Counsel, interest (and original issue discount) on the 2025 Certificates is exempt from State of California personal income tax. See “Tax Matters” herein with respect to tax consequences relating to the 2025 Certificates, including with respect to the alternative minimum tax imposed on certain large corporations.*

\$ \_\_\_\_\_<sup>\*</sup>  
**CERTIFICATES OF PARTICIPATION**  
**Series 2025A**  
**(Term Rate Mode)**

\$ \_\_\_\_\_<sup>\*</sup>  
**CERTIFICATES OF PARTICIPATION**  
**Series 2025B**  
**(Fixed Rate)**

**Evidencing the Proportionate Interests of the Owners  
Thereof in Lease Payments to be made by the  
CITY OF MANHATTAN BEACH  
As the Rental for Certain Leased Premises Pursuant to a Lease Agreement with the  
Manhattan Beach Capital Improvements Corporation**

**Dated: Date of Delivery**

**Due: \_\_\_\_\_ 1, as shown on the Inside cover.**

The \$ \_\_\_\_\_<sup>\*</sup> Certificates of Participation Series 2025A (Term Rate Rate) (the “2025A Certificates”) are being executed and delivered to (a) reimburse the City of Manhattan Beach (the “City”) for the costs of acquisition of certain property located in the City (the “Acquired Property”) and related costs; and (b) pay certain costs of issuance. The \$ \_\_\_\_\_<sup>\*</sup> Certificates of Participation Series 2025B (Fixed Rate) (the “2025B Certificates” and, together with the 2025A Certificates, the “2025 Certificates”) are being executed and delivered to (a) reimburse the City of Manhattan Beach (the “City”) for the costs of acquisition of certain communication equipment (the “Communication Equipment”) and related costs; and (b) pay certain costs of issuance.

The 2025 Certificates will be dated the date of their delivery and executed and delivered in the denominations of \$5,000 each or any integral multiple thereof. The 2025 Certificates will evidence and represent the proportionate interests of the registered owners thereof in Lease Payments (the “Lease Payments”) to be made by the City as rent for the use of certain real property located in the City consisting of City’s Peck Reservoir and the real property on which it is located (the “Leased Premises”). The Leased Premises will be leased by the City pursuant to a Lease Agreement, dated as of August 1, 2025 (the “Lease Agreement”), between the City, as lessee, and the Manhattan Beach Capital Improvements Corporation (the “Corporation”), as lessor. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2025 CERTIFICATES.”

The 2025A Certificates are initially being issued in a Term Rate Mode (as more particularly described herein). The maturity date, the Initial Term Rate, the Initial Scheduled Mandatory Tender Date and certain other information relating to the 2025A Certificates are summarized on the page “SUMMARY OF CERTAIN OFFERING TERMS” immediately following this cover page. Interest on the 2025A Certificates is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2026, except as otherwise described herein. Beneficial interests in the 2025A Certificates may be purchased in denominations of \$5,000 or any integral multiple thereof.

The 2025B Certificates will bear interest at the fixed rates set forth on the maturity schedule immediately following this cover page. Interest on the 2025B Certificates is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2027. Beneficial interests in the 2025B Certificates may be purchased in denominations of \$5,000 or any integral multiple thereof.

The 2025A Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of August 1, 2025 (the “2025A Trust Agreement”), by and among the City, the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The 2025B Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of August 1, 2025 (the “2025B Trust Agreement” and, together with the 2025A Trust Agreement, the “Trust Agreements”), by and among the City, the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

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<sup>\*</sup> Preliminary; subject to change.

When delivered, the 2025 Certificates will be issued in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2025 Certificates, Individual purchases of the 2025 Certificates will be made in book-entry form only. Purchasers will not receive certificates representing their interests in the 2025 Certificates purchased. Principal, prepayment premium, if any, and interest payable with respect to the 2025 Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the 2025 Certificates. See APPENDIX E - “BOOK-ENTRY ONLY SYSTEM.”

The 2025A Certificates are subject to prepayment prior to maturity as described herein. See “THE 2025 CERTIFICATES – PREPAYMENT.”

The 2025A Certificates are subject to mandatory tender for purchase on any Business Day on or after the Call Protection Date, including the Scheduled Mandatory Tender Date (each such date on which the 2025A Certificates are to be purchased, a “Purchase Date”). See “TENDER, PURCHASE AND REMARKETING OF THE 2025A CERTIFICATES – Mandatory Tender for Purchase.” There is no source of moneys to pay the purchase price of the 2025A Certificates upon a mandatory tender thereof on a Purchase Date, including the applicable Scheduled Mandatory Tender Date therefor, other than proceeds of the remarketing (or a refunding) of such 2025 Certificates. If all of the 2025A Certificates are not purchased on a Purchase Date, including the Scheduled Mandatory Tender Date, such non-purchase shall not constitute an Event of Default under the 2025A Trust Agreement. If the 2025A Certificates are not purchased on the Scheduled Mandatory Tender Date, then, on or after the Scheduled Mandatory Tender Date, such 2025A Certificates will accrue interest at higher fixed interest rates as described herein until remarketed, prepaid or paid at maturity. See “TENDER, PURCHASE AND REMARKETING OF THE 2025 CERTIFICATES – Inadequate Funds for Tenders.” There is no liquidity facility in place for the payment of the purchase price of the 2025A Certificates on a Purchase Date, including the Scheduled Mandatory Tender Date therefor. The 2025A Certificates are not subject to optional tender at the request of the beneficial owners thereof.

[The 2025B Certificates are not subject to optional redemption prior to maturity.]

The obligation of the City to make Lease Payments will be abated during any period in which, by reason of condemnation, damage or destruction, there is substantial interference with the use and possession of the Leased Premises by the Lessee. See “RISK FACTORS - Abatement of Lease Payments” herein.

THE OBLIGATION OF THE CITY TO PAY THE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO PAY LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS, AND DOES NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

*The 2025 Certificates are offered when, as and if delivered and received by the Underwriter subject to approval by Stradling Yocca Carlson & Rauth LLP, Special Counsel to the City. Certain legal matters will be passed upon for the City and for the Corporation by the City Attorney, by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel to the City and for the Underwriter by its counsel, Katten Muchin Rosenman LLP. It is anticipated that the 2025 Certificates will be available for delivery in New York, New York, through the book-entry facilities of DTC, on or about \_\_\_\_\_, 2025.*

BofA Securities

Dated: \_\_\_\_\_, 2025

\$ \_\_\_\_\_ \*

**CERTIFICATES OF PARTICIPATION**  
**Series 2025A**  
**(Term Rate Mode)**

**SUMMARY OF CERTAIN OFFERING TERMS**

Dated Date:	Date of Delivery
Maturity Date:	July 1, 2055
Price:	___%
Initial Scheduled Mandatory Tender Date:	[July ] 1, 2028
Initial Term Rate:	___%
Initial Term Yield:	___%
Initial Call Protection Date (first optional prepayment or mandatory tender date):	January 1, 2028
CUSIP Number <sup>†</sup> :	_____

\$ \_\_\_\_\_ \*

**CERTIFICATES OF PARTICIPATION**  
**Series 2025B**  
**(Fixed Rate)**

**MATURITY SCHEDULE**  
**(Base CUSIP<sup>†</sup>: 562765)**

<b><u>Maturity</u></b> <b><u>(July 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP<sup>†</sup> Suffix</u></b>
2027					
2028					
2029					
2030					
2031					
2032					

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. The CUSIP number has been assigned by an independent company not affiliated with the City and is included solely for the convenience of the holders of the 2025 Certificates. None of the City, its Municipal Advisor or the Underwriter is responsible for the selection or use of the CUSIP number and no representation is made as to its correctness on the 2025 Certificates or as indicated above. The CUSIP number for a specific bond is subject to being changed after the issuance of the bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2025 Certificates or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of such bonds.

**CITY OF MANHATTAN BEACH  
MANHATTAN BEACH CAPITAL IMPROVEMENTS CORPORATION**

**City Council/Corporation Board**

*David Lesser, Mayor/President  
Joe Franklin, Mayor Pro Tem/Vice-President  
Nina Trieu Tarnay, Council Member/Member  
Steve S. Charelian, Council Member/Member  
Amy Thomas Howorth, Council Member/Member*

**CITY OFFICIALS**

*Timothy J. Lilligren, City Treasurer  
Talyn Mirzakhanian, City Manager  
Libby Bretthauer, Finance Director  
Julie Bondarchuk, Financial Controller*

**PROFESSIONAL SERVICES**

***Bond Counsel and Disclosure Counsel***

Stradling Yocca Carlson & Rauth LLP  
Newport Beach, California

***City Attorney***

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

***Municipal Advisor***

KNN Public Finance LLC  
Los Angeles, California

***Trustee***

U.S. Bank Trust Company, National Association  
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the City, the Trustee or the Underwriters to give any information or to make any representations in connection with the offer or sale of the 2025 Certificates other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the Trustee 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 2025 Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the 2025 Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with a nationally recognized municipal securities depository.

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, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information set forth herein which has been obtained by the City from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the City or the Trustee. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, the landowners within the City or any other parties described herein since the date hereof. All summaries of the Trust Agreements or 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. The forms of the Trust Agreements are attached hereto as appendices. With respect to the Site Lease, Lease Agreement and Assignment Agreement, Reference is hereby made to such documents on file with the City for further information in connection therewith.

While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the 2025 Certificates or any other bonds or obligations of the City.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS 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. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

**THE 2025 CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2025 CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.**

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**Series 2025A**  
**(Term Rate Mode)**

\$ \_\_\_\_\_<sup>\*</sup>  
**CERTIFICATES OF PARTICIPATION**  
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**(Fixed Rate)**

**Evidencing the Proportionate Interests of the Owners  
Thereof in Lease Payments to be made by the  
CITY OF MANHATTAN BEACH  
As the Rental for Certain Leased Premises Pursuant to a Lease Agreement with the  
MANHATTAN BEACH CAPITAL IMPROVEMENTS CORPORATION**

**INTRODUCTION**

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover and appendices hereto, and the documents described herein. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. Unless the context otherwise requires, capitalized terms not defined herein shall have the meanings given to them in the Trust Agreements (defined below), the forms of which are attached hereto as appendices.

This Official Statement (which includes the cover page, inside cover, table of contents and appendices hereto) (the “Official Statement”), provides certain information concerning the sale and delivery of City of Manhattan Beach Certificates of Participation Series 2025A (Term Rate Mode) (the “2025A Certificates”), in an aggregate principal amount of \$ \_\_\_\_\_<sup>\*</sup> and the \$ \_\_\_\_\_<sup>\*</sup> Certificates of Participation Series 2025B (Fixed Rate) (the “2025B Certificates” and, together with the 2025A Certificates, the “2025 Certificates”).

The 2025A Certificates are being executed and delivered to (a) reimburse the City of Manhattan Beach (the “City”) for the costs of acquisition of certain property located in the City (the “Acquired Property”) and related costs; and (b) pay certain costs of issuance. The 2025B Certificates are being executed and delivered to (a) reimburse the City for the costs of acquisition of certain communications equipment (the “Communications Equipment”) and related costs; and (b) pay certain costs of issuance.

The 2025 Certificates will evidence and represent the proportionate interests of the registered owners thereof in the Lease Payments (the “Lease Payments”) to be made by the City as rent for the use of certain real property located in the City consisting of the City’s Peck Reservoir and the real property on which it is located (the “Leased Premises”). The Lease Payments will consist of (a) a portion which will be equal to the amounts sufficient to pay debt service with respect to the 2025A Certificates (the “2025A Lease Payments”) and (b) a portion which will be equal to the amounts sufficient to pay debt service with respect to the 2025B Certificates (the “2025B Lease Payments” and, together with the 2025A Lease Payments, the “Lease Payments”).

The Leased Premises will be leased by the City pursuant to a Lease Agreement, dated as of August 1, 2025 (the “Lease Agreement”), between the City, as lessee, and the Manhattan Beach Capital Improvements Corporation (the “Corporation”), as lessor. See “THE LEASED PREMISES” herein. The City currently holds fee title to the Leased Premises, and immediately prior to the execution of the Lease Agreement, the City will lease the Leased Premises to the Corporation, pursuant to a Site and Facilities Lease, dated as of August 1, 2025 (the “Site Lease”), by and between the City and the Corporation.

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<sup>\*</sup> Preliminary; subject to change.

The 2025A Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of August 1, 2025 (the “2025A Trust Agreement”), by and among the City, the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The 2025B Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of August 1, 2025 (the “2025B Trust Agreement” and, together with the 2025A Trust Agreement, the “Trust Agreements”), by and among the City, the Corporation and the Trustee.

Pursuant to an Assignment Agreement, dated as of August 1, 2025 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners of the 2025 Certificates, certain of its rights under the Lease Agreement, including all of its rights to receive the Lease Payments from the City under the Lease Agreement, and its right to exercise remedies under the Lease Agreement as may be necessary to enforce payment of the Lease Payments. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2025 CERTIFICATES.”

The City has covenanted under the Lease Agreement that it will take such action as may be necessary to include all Lease Payments in its budgets and to make the necessary appropriations therefor; provided, however, that Lease Payments are subject to complete or partial abatement during any period in which, by reason of condemnation, damage or destruction, there is substantial interference with the use and possession of the Leased Premises by the City. See “RISK FACTORS — Abatement” herein.

THE OBLIGATION OF THE CITY TO PAY THE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO PAY LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE STATE, OR ANY OF ITS POLITICAL SUBDIVISIONS, AND DOES NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

For more complete and detailed information, see “SECURITY AND SOURCES OF PAYMENT FOR THE 2025 CERTIFICATES” herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Included herein are forms of the Trust Agreements and brief summaries the Lease Agreement, the Site Lease and the Assignment Agreement (collectively, the “Legal Documents”). Such summaries do not purport to be complete or definitive, and reference is made to such documents and report for full complete statements of the contents thereof.

## **THE LEASED PREMISES**

The Leased Premises consists of the City’s Peck Reservoir and related equipment and the 2.7 acre real property on which they are located.

Major reconstruction of the 8-million-gallon Peck Reservoir was successfully completed in 2023. There are two primary facilities – the primary drinking water storage tank and booster pump station building, and the local groundwater filtration treatment facility – including yard piping, valve vaults, tank assemblies, operational control and chemical disinfection storage buildings, main electrical room, ground-level power transformer, emergency back-up generator, stormwater runoff containment dry wells, and the backfilled mechanically stabilized earth retaining wall around the east and south sides of the concrete reservoir tank. Likewise, perimeter site improvements including accessible sidewalks, metal picket fencing, and drought tolerant landscaping have been completed providing a buffer to the adjacent neighborhood.

Implementation of the project enhanced the City’s drinking water storage and system reliability to help ensure long-term dependability, balanced the use of local groundwater with the current imported supply, and

brought existing facilities and equipment up to today's standards to help to protect water supply and distribution for the residents of the City.

## **PLAN OF FINANCE**

### **2025A Certificates**

A portion of the proceeds of the sale of the 2025A Certificates will be applied to reimburse the City for the acquisition costs of the Acquired Property and certain related costs.

The Acquired Property is located at 400 Manhattan Beach Boulevard in the City. Given the location of the site in the City's downtown, its proximity to the City's Civic Center, and the multitude of opportunities it would present for the City in terms of community benefits, preservation of local character, revenue generation, and investment in long-term value, staff was authorized to commence negotiations with the seller's representative for the purchase of the property in a series of duly noticed closed sessions with the City Council. City staff negotiated the purchase of the property for \$13,000,000.

The site, which was previously the site of a bank branch, is located in the City's Downtown Commercial district, and is made up of three parcels totaling approximately 16,570 square feet (0.38 acres). It is bounded by Manhattan Beach Boulevard to the north, Morningside Drive to the west, private residential property to the south, and private commercial property (Vons supermarket) to the east.

The City is undertaking community outreach to determine the ultimate use of the Acquired Property, and expects to make a determination of the desired concept in 2026, with design and approvals to follow in mid-2027. In the interim, the Acquired Property is being used for public parking and bicycle racks.

### **2025B Certificates**

A portion of the proceeds of the sale of the 2025B Certificates will be applied to reimburse the City for the acquisition costs of certain communications equipment and related costs.

The communication equipment consists of more than 300 radios, batteries, chargers, antennas, control software, technology licenses, and related equipment for use by the City's police and fire departments.

## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2025 Certificates and other available amounts are expected to be applied as set forth below:

<u>Sources</u>	2025A Certificates	2025B Certificates
Principal Amount of Certificates [[Plus Original Issue Premium]]	\$	\$
Total Sources	<u>\$</u>	<u>\$</u>
<u>Uses</u>		
Reimbursement to the City	\$	\$
Delivery Costs <sup>(1)</sup>		
Total Uses	<u>\$</u>	<u>\$</u>

- <sup>(1)</sup> Delivery costs include, without limitation, special counsel fees, municipal advisor fees, rating agency fees, trustee expenses, legal, printing, underwriter's discount and other financing costs.

## THE 2025A CERTIFICATES

The 2025A Certificates are being issued initially in the Term Rate Mode and will bear interest at a fixed Term Rate for a Term Rate Period commencing on the date of delivery of the 2025A Certificates. While in the initial Term Rate Period, interest with respect to the 2025A Certificates is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2026, except as otherwise described herein. Beneficial interests in the 2025A Certificates may be purchased, in book-entry form only, in denominations of \$5,000 or any integral multiple thereof.

While in the initial Term Rate Period, the 2025A Certificates are subject to prepayment prior to maturity as described herein. See "DESCRIPTION OF CERTAIN PROVISIONS OF THE 2025A Certificates – Prepayment of the 2025A Certificates."

While in the initial Term Rate Period, the 2025A Certificates are subject to mandatory tender for purchase on any date on or after the Call Protection Date, including the Scheduled Mandatory Tender Date (each such date on which the 2025A Certificates are to be purchased, a "Purchase Date"). See "TENDER, PURCHASE AND REMARKETING OF THE 2025A Certificates – Mandatory Tender for Purchase." The 2025A Certificates are not subject to optional tender at the request of the beneficial owners thereof.

There is no source of moneys to pay the purchase price of the 2025A Certificates upon a mandatory tender thereof on a Purchase Date, including the Scheduled Mandatory Tender Date, other than proceeds of the remarketing (or a refunding) of the 2025A Certificates. If all of the 2025A Certificates are not purchased on a Purchase Date therefor, including the Scheduled Mandatory Tender Date, such non-purchase will not constitute an Event of Default under the 2025A Trust Agreement. If the 2025A Certificates are not purchased on the Scheduled Mandatory Tender Date, then, on or after the Scheduled Mandatory Tender Date, the 2025A Certificates will accrue interest at higher fixed interest rates as described herein until remarketed, prepaid or paid at maturity. See "TENDER, PURCHASE AND REMARKETING OF THE 2025A Certificates – Inadequate Funds for Tenders." There is no liquidity facility in place for the payment of the purchase price of the 2025A Certificates on a Purchase Date, including the applicable Scheduled Mandatory Tender Date.

The 2025A Certificates are subject to adjustment from the Term Mode to a Fixed Rate Mode, as further described herein. At any time, all of the 2025A Certificates shall bear interest in the same Mode. THIS OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE 2025A CERTIFICATES AFTER THE ADJUSTMENT OF SUCH SERIES TO A FIXED RATE MODE.

Interest will be paid by the Trustee on each Interest Payment Date with regard to each Certificate to the person registered as the Owner thereof at the close of business on the Record Date with respect to such interest payment and shall be paid by check mailed by first class mail to such Owner at such Owner's address as it appears on the Certificate registration books or, upon the written request of an Owner of at least \$1,000,000 in principal amount of the 2025A Certificates received at least fifteen (15) days prior to a Record Date under the 2025A Trust Agreement, by wire transfer in immediately available funds to an account in the United States designated by such Owner, irrespective of the cancellation of such Certificate upon any transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date, unless the City shall default in the payment of interest due with respect to such Interest Payment Date. Payment of principal or premium due shall be paid only upon surrender of such Certificate at the Principal Office of the Trustee. In the event of any default in the payment of interest, such defaulted interest shall be payable to the Owner of such Certificate in the manner described in the 2025A Trust Agreement. "Record Date" means, with respect to any Interest Payment Date with respect to the 2025A Certificates, except for a payment of defaulted interest, the fifteenth day of the calendar month preceding any Interest Payment Date, whether or not such fifteenth day is a Business Day. With respect to any payment of defaulted interest, a special record date shall be established in accordance with the provisions of this 2025A Trust Agreement.

## **DESCRIPTION OF CERTAIN PROVISIONS OF THE 2025A CERTIFICATES**

*The following is a summary of certain provisions of the 2025A Certificates. This section should be read in conjunction with the sections entitled "TENDER, PURCHASE AND REMARKETING OF THE 2025A CERTIFICATES" and "CONVERSION OF THE 2025A CERTIFICATES" for information on various terms and conditions therein which apply to the 2025A Certificates. Reference is also made to the form of the 2025A Trust Agreement attached hereto for the complete text thereof. The discussion herein is qualified by such reference.*

### **General**

The 2025A Certificates will be issued in the aggregate principal amount of \$ \_\_\_\_\_.\*. The 2025A Certificates will be dated the date of original delivery thereof, and will mature (subject to prior prepayment) on the date set forth under the caption "SUMMARY OF CERTAIN OFFERING TERMS" on the second page after the cover page of this Official Statement. The 2025A Certificates are being issued in book-entry form, without coupons, and when initially issued will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the 2025A Certificates may be made in authorized denominations of \$5,000 principal amount and any integral multiple thereof. So long as DTC, or its nominee Cede & Co., is the registered owner of all the 2025A Certificates, all payments of principal and Purchase Price of, and premium, if any, and interest on such 2025A Certificates will be made directly to DTC. Disbursement of such payments to the corresponding DTC participants will be the responsibility of DTC. Disbursement of such payments to the applicable Beneficial Owners (as defined below) of the 2025A Certificates will be the responsibility of such DTC participants as more fully described herein. See "BOOK-ENTRY ONLY SYSTEM."

The 2025A Certificates will initially be issued in the Term Rate Mode for an initial Term Rate Period commencing on the date of delivery of the 2025A Certificates. During the initial Term Rate Period, the 2025A Certificates will bear interest at a fixed per annum interest rate equal to the initial Term Rate set forth under the caption "SUMMARY OF CERTAIN OFFERING TERMS" on the second page after the cover page of this Official Statement. The initial Term Rate Period shall end on the first to occur of (i) the initial Scheduled Mandatory Tender Date for the 2025A Certificates of July 1, 2028, as set forth under the caption "SUMMARY OF CERTAIN OFFERING TERMS" on the page after the cover page of this Official Statement; (ii) an Unscheduled Mandatory Tender Date if all 2025A Certificates subject to purchase are actually purchased as described under the caption "TENDER, PURCHASE AND REMARKETING OF THE 2025A CERTIFICATES

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\* Preliminary; subject to change.

- Mandatory Tender for Purchase - *Mandatory Tender for Purchase on Unscheduled Mandatory Tender Date*"; (iii) the first date on which such 2025A Certificates bear interest in a Fixed Rate Mode; or (iv) the date on which all such 2025A Certificates are redeemed in accordance with the terms of the 2025A Trust Agreement or all principal of and interest on such 2025A Certificates are otherwise paid in full.

While in the initial Term Rate Period, the 2025A Certificates will be subject to all of the terms of the 2025A Trust Agreement governing the 2025A Certificates in the Term Rate Mode, including provisions that require the Owners to tender their 2025A Certificates for purchase on the Scheduled Mandatory Tender Date (see "TENDER, PURCHASE AND REMARKETING OF THE 2025A CERTIFICATES - Mandatory Tender for Purchase - *Mandatory Tender for Purchase on Scheduled Mandatory Tender Date*") and on other dates as described in this Official Statement, and provisions that permit the City to effect an unscheduled mandatory tender for purchase of all of the 2025A Certificates (which unscheduled mandatory tender for purchase is subject to rescission and successful remarketing as described under the caption "TENDER, PURCHASE AND REMARKETING OF THE 2025A CERTIFICATES - Mandatory Tender for Purchase - *Mandatory Tender for Purchase on Unscheduled Mandatory Tender Date*").

The 2025A Certificates are not subject to tender for purchase at the option of the Owners.

Under the 2025A Trust Agreement, the 2025A Certificates may be converted from and after the Call Protection Date (i.e., January 1, 2028) for the initial Term Rate Period from the Term Rate Mode to a Fixed Rate Mode as described herein. See "CONVERSION OF THE 2025A CERTIFICATES." The 2025A Certificates will be subject to mandatory tender for purchase upon a conversion of the 2025A Certificates to a Fixed Rate. See "TENDER, PURCHASE AND REMARKETING OF THE 2025A CERTIFICATES - Mandatory Tender for Purchase - *Mandatory Tender for Purchase on Conversion Date*." Under the 2025A Trust Agreement, all of the 2025A Certificates Outstanding at any time must be in the same Mode.

**This Official Statement describes the 2025A Certificates only while bearing interest in the Term Rate Mode for the initial Term Rate Period. There are significant differences in the terms of the 2025A Certificates while they bear interest in a Fixed Rate Mode. This Official Statement is not intended to provide information with respect to the 2025A Certificates bearing interest in a Fixed Rate Mode. Owners and prospective owners of the 2025A Certificates should not rely on this Official Statement for information in connection with a conversion to a Fixed Rate Mode of the 2025A Certificates, but should look solely to the offering document to be used in connection with any such change conversion.**

### **Interest Rate Provisions**

During the initial Term Rate Period, the 2025A Certificates will bear interest at the fixed per annum Term Rate set forth under the caption "SUMMARY OF CERTAIN OFFERING TERMS" on the second page after the cover page of this Official Statement.

Interest on the 2025A Certificates will accrue from their date of delivery and will be payable (i) on January 1 and July 1 of each year, commencing on January 1, 2026, (ii) on each Mandatory Purchase Date (including the Scheduled Mandatory Tender Date and any Unscheduled Mandatory Tender Date on which the 2025A Certificates are actually purchased) and (iii) on the Maturity Date (each, an "Interest Payment Date" for the 2025A Certificates in the Term Rate Mode). The record date for the payment of interest on the 2025A Certificates is the 15th day of the calendar month immediately preceding each Interest Payment Date. Interest on the 2025A Certificates will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the 2025A Certificates will be payable on each Interest Payment Date for unpaid accrued interest from initially, the date of delivery of the 2025A Certificates, and thereafter, from the last Interest Payment Date to which interest has been paid to, but not including, the Interest Payment Date on which interest is to be paid (the "Interest Accrual Period"). If, at the time of authentication of any 2025A Certificate, interest is



in default or overdue on the 2025A Certificates, such 2025A Certificate will bear interest from the date to which interest has previously been paid in full or made available for payment in full on such 2025A Certificates.

### **Prepayment of the 2025A Certificates**

***Optional Prepayment.*** In addition, the 2025A Certificates are subject to optional prepayment by the City, in whole or in part, in authorized denominations on any Business Day on or after the Call Protection Date for the initial Term Rate Period (i.e., January 1, 2028), at a prepayment price equal to 100% of the principal amount thereof, plus unpaid accrued interest to the prepayment date, if any, without premium. The 2025A Certificates are subject to optional prepayment by the City, in whole or in part, in authorized denominations on any Mandatory Purchase Date at a prepayment price equal to 100% of the principal amount thereof, plus unpaid accrued interest to the prepayment date, if any, without premium.

***Mandatory Sinking Fund Prepayment.*** The 2025A Certificates are subject to prepayment prior to maturity from mandatory Sinking Fund Installments due on July 1 of each of the years set forth in the following table (together with accrued interest thereon), without premium:

<b>Mandatory Sinking Fund Prepayment Date (July 1)</b>	<b>Principal Component</b>
2028	
2029	
2030	
2031	
2032	
2033	
2034	
2035	
2036	
2037	
2038	
2039	
2040	
2041	
2042	
2043	
2044	
2045	
2046	
2047	
2048	
2049	
2050	
2051	
2052	
2053	
2054	
2055*	

\* Maturity

In the event of any optional prepayment of the 2025A Certificates in part, the City will provide to the Trustee a revised schedule of Sinking Fund Installments.

***Prepayment from Net Insurance Proceeds.*** The 2025A Certificates are subject to prepayment on any Interest Payment Date, in whole or in part (in integral multiples of \$5,000), from Net Insurance Proceeds deposited in the Prepayment Fund at least 60 days prior to a Payment Date and credited towards the Prepayment made by the City in accordance with the Lease Agreement, at a prepayment price equal to the Principal Component thereof, together with accrued Interest Component to the date fixed for prepayment, without premium.

***Selection of 2025A Certificates for Prepayment.*** If less than all the 2025A Certificates are called for prepayment under any provision of the 2025A Trust Agreement permitting such partial prepayment, the particular, the Trustee shall select Certificates for prepayment from the Outstanding Certificates not previously called for prepayment among maturities as directed in writing by the City, and by lot within any maturity. In connection with any optional prepayment in part of Certificates that are term Certificates subject to mandatory sinking fund prepayment, the principal amount of such term Certificates being prepaid shall be allocated against the scheduled Sinking Fund Installments in such manner as the City shall direct. The Trustee shall promptly notify the City and the Corporation in writing of the Certificates so selected for prepayment.

***Notice of Prepayment.*** The 2025A Trust Agreement requires the Trustee to give notice of any prepayment of the 2025A Certificates to the Owners of such 2025A Certificates designated for prepayment by mail not less than twenty (20) nor more than sixty (60) days prior to the prepayment date; provided, however, that if such prepayment occurs during a Delayed Remarketing Period following the Scheduled Mandatory Tender Date, such notice is to be given not less than five (5) Business Days prior to the date fixed for prepayment. Each notice of prepayment shall specify (a) that the Certificates or a designated portion thereof are to be prepaid, (b) the CUSIP numbers, the numbers and dates of maturity of the Certificates to be prepaid, (c) the date of prepayment, and (d) the place or places where the prepayment will be made. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate to be prepaid, the portion of the Principal Component to be prepaid, together with the Interest Component accrued to said date, and that from and after such date the Interest Component shall cease to accrue and be payable. Any such notice of prepayment may be (a) cancelled and annulled by a subsequent request of the City given to the Trustee at least five (5) days prior to the date fixed for prepayment and/or (b) made conditional upon the receipt of money or securities by the Trustee or the City or upon any other event, and, in each case, the Trustee shall thereupon forthwith give appropriate notice of such cancellation and annulment or the non-occurrence of such condition.

Failure of the Trustee to provide notice to any one or more of the Owners of any of the 2025A Certificates designated for prepayment, or any defect in such mailed notice will not affect the validity of the proceedings for the prepayment of such 2025A Certificates.

***Effect of Prepayment.*** Notice having been given in the manner provided in the 2025A Trust Agreement, and moneys sufficient therefor having been deposited by the City with the Trustee, the 2025A Certificates or portions thereof so called for prepayment shall become due and payable on the prepayment date so designated at the prepayment price, plus interest accrued and unpaid to the prepayment date, and, upon presentation and surrender thereof at the office specified in such notice, such 2025A Certificates, or portions thereof, shall be paid at the prepayment price, plus interest accrued and unpaid to the prepayment date. If, on the prepayment date, moneys for the prepayment of all the 2025A Certificates or portions thereof to be redeemed, together with interest to the prepayment date, shall be held by the Trustee so as to be available therefor on said date and if notice of prepayment shall have been given as aforesaid, then, from and after the prepayment date interest on the 2025A Certificates or portions thereof so called for prepayment shall cease to accrue and become payable. If said moneys shall not be so available on the prepayment date, such 2025A Certificates or portions thereof shall continue to bear interest.

## **TENDER, PURCHASE AND REMARKETING OF THE 2025A CERTIFICATES**

### **Mandatory Tender for Purchase**

***Mandatory Tender for Purchase on Unscheduled Mandatory Tender Date.*** During the initial Term Rate Period for the 2025A Certificates, the City may, at its option, require that such 2025A Certificates be tendered for purchase on any Business Day from and after the Call Protection Date (i.e., January 1, 2028), solely from funds furnished by the Remarketing Agent to the Tender Agent from the proceeds of the sale of the 2025A Certificates remarketed, at a purchase price equal to the principal amount of such 2025A Certificates to be purchased, plus unpaid accrued interest, if any, thereon to the Purchase Date (if the Purchase Date is not an Interest Payment Date) (the “Purchase Price”), payable in immediately available funds. To exercise such option, the City will deliver to the Trustee, the Tender Agent and the Remarketing Agent, by Electronic Means, no later than twenty (20) days before the Unscheduled Mandatory Tender Date, written notice and direction of the unscheduled mandatory tender for purchase of the 2025A Certificates. Such written direction notice shall specify, subject to the limitations prescribed in the 2025A Trust Agreement: (i) the Scheduled Mandatory Tender Date for the Term Rate Period immediately following the purchase of the 2025A Certificates on the Unscheduled Mandatory Tender Date; and (ii) the Term Call Protection Date for the Term Rate Period immediately following the purchase of the such 2025A Certificates on such Unscheduled Mandatory Tender Date.

The Tender Agent will give notice of each unscheduled mandatory tender for purchase of the 2025A Certificates to the Owners of the 2025A Certificates as provided in the 2025A Trust Agreement not less than ten (10) days prior to the proposed Unscheduled Mandatory Tender Date.

The City shall have the option to deliver to the Tender Agent and the applicable Remarketing Agent, by Electronic Means, on or prior to 5:00 p.m. (New York City time) on the Business Day immediately preceding the proposed Unscheduled Mandatory Tender Date, a notice to the effect that the City elects to rescind such Unscheduled Mandatory Tender Date for the 2025A Certificates. If the City elects to rescind such Unscheduled Mandatory Tender Date, then (i) no purchase of the 2025A Certificates will occur, and (ii) the 2025A Certificates shall continue to bear interest at the applicable Term Rate then in effect without change or modification and the Term Rate Period then in effect for the 2025A Certificates shall continue until otherwise terminated in accordance with the 2025A Trust Agreement. Upon receipt of notice from the City of its election to rescind an Unscheduled Mandatory Tender Date, the Trustee shall, as soon as practicable thereafter, send notice to the Notice Parties and to the Owners of the 2025A Certificates by Electronic Means stating that the Unscheduled Mandatory Tender Date has been rescinded and informing them of the consequences thereof.

Any Unscheduled Mandatory Tender Date shall be conditioned upon (a) amounts sufficient to pay the Purchase Price of the 2025A Certificates tendered for purchase being on deposit with the Tender Agent from immediately available funds furnished by the Remarketing Agent from the proceeds of the sale of the 2025A Certificates remarketed on the Unscheduled Mandatory Tender Date and (b) in connection with any change in the Term Call Protection Date for the next succeeding Term Rate Period from the Term Standard Call Protection Date, the delivery by the City of a Favorable Opinion of Bond Counsel. If on an Unscheduled Mandatory Tender Date, the conditions described in the immediately preceding sentence are not satisfied, then (i) no purchase of the 2025A Certificates will occur, (ii) any 2025A Certificates tendered for purchase pursuant will be returned to the Owners thereof, together with notice of the basis for such return, and the Remarketing Agent shall return all remarketing proceeds to the persons providing such moneys, without interest; and (iii) the 2025A Certificates shall continue to bear interest at the same rate then in effect without change or modification and the Term Rate Period then in effect shall continue until otherwise terminated in accordance with the 2025A Trust Agreement.

Failure by the City to pay or cause to be paid the Purchase Price of any 2025A Certificates tendered for purchase as described under this subcaption “– Mandatory Tender for Purchase – *Mandatory Tender for Purchase on Unscheduled Mandatory Tender Date,*” for any reason shall not constitute an Event of Default under the 2025A Trust Agreement. No such failure shall affect the right of the City to require Owners of the 2025A Certificates to tender their 2025A Certificates as described under this subcaption “– Mandatory Tender

for Purchase – *Mandatory Tender for Purchase on Unscheduled Mandatory Tender Date*” during the remainder of the applicable Term Rate Period then in effect for the 2025A Certificates or during any subsequent Term Rate Period.

In the event moneys on deposit with the Tender Agent furnished by the Remarketing Agent in immediately available funds to the Tender Agent from the proceeds of the sale of the 2025A Certificates remarketed are sufficient to pay the Purchase Price of the 2025A Certificates tendered for purchase on an Unscheduled Mandatory Tender Date, the following shall occur: (i) the Term Rate Period for such 2025A Certificates in effect immediately before such purchase shall terminate on the Unscheduled Mandatory Tender Date for such 2025A Certificates and a new Term Rate Period for such 2025A Certificates shall commence on such date; and (ii) the Term Rate with respect to the 2025A Certificates for the new Term Rate Period shall be determined as provided in the 2025A Trust Agreement.

***Mandatory Tender for Purchase on Term Scheduled Mandatory Tender Date.*** Unless the 2025A Certificates have been purchased (including in connection with a conversion to a Fixed Rate Mode as described below) or redeemed prior to the applicable Term Scheduled Mandatory Tender Date for the 2025A Certificates (i.e., July 1, 2028 for the initial Term Rate Period), the 2025A Certificates will be subject to mandatory tender for purchase on the applicable Scheduled Mandatory Tender Date, at the Purchase Price, payable in immediately available funds. The Tender Agent will give notice of the mandatory tender for purchase to the Owners of the 2025A Certificates as provided in the 2025A Trust Agreement not less than ten (10) days prior to the Scheduled Mandatory Tender Date.

In the event moneys on deposit with the Tender Agent are sufficient to pay the Purchase Price of the 2025A Certificates tendered for purchase on the Scheduled Mandatory Tender Date for such 2025A Certificates, the following shall occur: (i) the Term Rate Period for such 2025A Certificates in effect immediately before such purchase shall terminate on the Scheduled Mandatory Tender Date for such 2025A Certificates and a new Term Rate Period for such 2025A Certificates shall commence on such date; and (ii) the applicable Term Rate with respect to the affected 2025A Certificates for the new Term Rate Period shall be determined as provided in the 2025A Trust Agreement.

Failure of the City to pay or cause to be paid the Purchase Price of all tendered 2025A Certificates when due and payable on a Scheduled Mandatory Tender Date therefor shall not constitute an Event of Default under the 2025A Trust Agreement and in the event of a failure to pay the Purchase Price of all of the 2025A Certificates on a Scheduled Mandatory Tender Date therefor, a Delayed Remarketing Period will commence on such date as described below under the subcaptions “– Inadequate Funds for Tenders – *Inadequate Funds on Scheduled Mandatory Tender Date*” and “– *Delayed Remarketing Period.*”

***Mandatory Tender for Purchase on Conversion Date.*** The 2025A Certificates are subject to mandatory tender for purchase on each day on the date on which such 2025A Certificates begin to bear interest at a Fixed Rate (a “Conversion Date”), at the Purchase Price, payable in immediately available funds. The Trustee will give notice of the mandatory tender for purchase to the Owners of the 2025A Certificates as provided in the 2025A Trust Agreement not less than fifteen (15) days prior to the Mandatory Purchase Date in the case of a mandatory purchase on a Conversion Date. See also “CONVERSION OF THE 2025A CERTIFICATES.”

## **Remarketing and Purchase**

***General.*** Pursuant to the 2025A Trust Agreement, the City is required to appoint a remarketing agent for the 2025A Certificates (the “Remarketing Agent”) on or prior to (i) the thirtieth (30th) day preceding the Scheduled Mandatory Tender Date, (ii) any date or which the City shall exercise its option to effect an Unscheduled Mandatory Tender Date for the 2025A Certificates, or (iii) any other date on which the tender of the 2025A Certificates is expected to occur pursuant to the terms of the 2025A Trust Agreement. The Remarketing Agent will be obligated to use its best efforts to remarket the 2025A Certificates which are to be purchased pursuant to the 2025A Trust Agreement at the minimum interest rate available in the marketplace that

will permit the Remarketing Agent to remarket all such 2025A Certificates on the applicable Mandatory Purchase Date at the principal amount thereof.

The Remarketing Agent will notify the Trustee, the Tender Agent and the City by Electronic Means in accordance with the 2025A Trust Agreement (i) on the Business Day immediately preceding each Mandatory Purchase Date on which 2025A Certificates are to be purchased, and (ii) on any other Purchase Date (if applicable) on which 2025A Certificates are to be purchased, if it has been unable to remarket all the tendered 2025A Certificates, and shall include in such notice the principal amount of the 2025A Certificates it has been unable to remarket. The Remarketing Agent shall cause the proceeds of the sale of tendered 2025A Certificates remarketed by it to be paid to the Tender Agent for deposit in the Remarketing Proceeds Account of the Certificate Purchase Fund created under the 2025A Trust Agreement in immediately available funds at or before 10:00 a.m. (New York City time) on the Mandatory Purchase Date.

Payment of the Purchase Price with respect to any mandatory purchase of the 2025A Certificates is required to be made to the Owners of tendered 2025A Certificates by wire transfer in immediately available funds by the Trustee on the Mandatory Purchase Date.

***Sources of Funds for the Purchase of 2025A Certificates.*** Funds for the payment of the Purchase Price of tendered 2025A Certificates will be derived solely from immediately available funds furnished by the Remarketing Agent to the Tender Agent from the proceeds of the sale of 2025A Certificates remarketed for deposit in the Remarketing Proceeds Account of the Certificate Purchase Fund created under the 2025A Trust Agreement and none of the City, the Trustee, the Tender Agent or the Remarketing Agent shall be obligated to provide funds from any other source:

***2025A Certificates to be Paid at Maturity or Redeemed Instead of Being Purchased.*** Any 2025A Certificates that are to be paid at maturity, or to be redeemed as described under “DESCRIPTION OF CERTAIN PROVISIONS OF THE 2025A CERTIFICATES – Prepayment of 2025A Certificates” on the same date that such 2025A Certificates are to be purchased as hereinabove described (and 2025A Certificates issued in exchange for or upon the registration of transfer of such 2025A Certificates) shall be paid or redeemed, as applicable, on such date instead of being purchased on such date.

### **Inadequate Funds for Tenders**

***General.*** Except as otherwise provided in the 2025A Trust Agreement or described herein, if sufficient funds are not available for the purchase of all tendered 2025A Certificates required to be purchased on any Purchase Date therefor, the Tender Agent will take all actions available to it to obtain remarketing proceeds from the Remarketing Agent to purchase all such 2025A Certificates in accordance with the 2025A Trust Agreement on the Business Day next succeeding such Purchase Date, and if sufficient funds are not so obtained, all tendered 2025A Certificates shall be returned to their respective Owners. Thereafter, the Tender Agent shall continue to take all such action available to it to obtain such remarketing proceeds from the Remarketing Agent. Except as otherwise provided in the 2025A Trust Agreement, such failed purchase and return shall not constitute an Event of Default under the 2025A Trust Agreement. Any obligations of the Remarketing Agent to cause the deposit of such funds from remarketing proceeds or other amounts (if any), respectively, shall remain enforceable pursuant to the 2025A Trust Agreement, and such obligation shall be discharged only at such time as funds are deposited with the Tender Agent in an amount sufficient to purchase all such 2025A Certificates, together with any interest which has accrued on such 2025A Certificates to the subsequent actual Purchase Date.

***Inadequate Funds on Scheduled Mandatory Tender Date.*** With respect to any mandatory purchase as described above under the subcaption “– Mandatory Tender for Purchase – Mandatory Tender for Purchase on Scheduled Mandatory Tender Date,” in the event sufficient funds are not available for the purchase of all 2025A Certificates tendered or deemed tendered and required to be purchased on the related Mandatory Purchase Date therefor, then: (i) the Trustee shall promptly return all 2025A Certificates tendered or deemed tendered to the Owners thereof together with notice of such insufficiency and the Trustee and the Remarketing Agent shall

promptly return all remarketing proceeds to the persons providing such moneys without interest; (ii) the Term Rate Period then in effect will terminate on such Scheduled Mandatory Tender Date; (iii) a Delayed Remarketing Period will commence on such Scheduled Mandatory Tender Date as described below under the subcaption “–Delayed Remarketing Period”; and (iv) such failed purchase shall not constitute an Event of Default under the 2025A Trust Agreement.

***Delayed Remarketing Period.*** If all of the 2025A Certificates have not been purchased or redeemed on or prior to the applicable Scheduled Mandatory Tender Date therefor, the 2025A Certificates shall bear interest from and including the Scheduled Mandatory Tender Date until the date the 2025A Certificates are remarketed, redeemed or paid at maturity (such period, the “Delayed Remarketing Period”) at the respective rates per annum for the applicable period of days as set forth in the following table (the “Delayed Remarketing Period Rate”):

<b>For the Period (in Days) on and after the applicable Scheduled Mandatory Purchase Date</b>	<b>Interest Rate Per Annum</b>
0 to 89 days	6.0%
90 days and thereafter	8.0%

During any Delayed Remarketing Period, interest on the 2025A Certificates will be due and payable semiannually on January 1 and July 1 and on the last day of such Delayed Remarketing Period. Interest on such 2025A Certificates during a Delayed Remarketing Period will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

***Purchase and Sale of 2025A Certificates During a Delayed Remarketing Period.*** On each Business Day following a Scheduled Mandatory Tender Date on which all of the 2025A Certificates were not purchased, the Remarketing Agent will continue to use its best efforts to remarket all of the 2025A Certificates as directed by the City. Once the Remarketing Agent has advised the City, the Trustee and the Tender Agent that it has a good faith belief that it is able to remarket all of the 2025A Certificates into the then directed Mode, the City will establish a new Mandatory Purchase Date for the 2025A Certificates and will direct the Trustee to give notice by Electronic Means only to DTC (not to the Beneficial Owners of the 2025A Certificates) not later than five (5) Business Days prior to the date on which the 2025A Certificates are to be purchased, which notice will state: (i) such 2025A Certificates will be in a new Term Rate Mode from and after the Purchase Date; (ii) that such tendered 2025A Certificates will be subject to mandatory tender for purchase and specifying the Mandatory Purchase Date such purchase shall occur; (iii) the procedures for such mandatory tender; (iv) the Purchase Price of such 2025A Certificates to be purchased; and (v) the consequences of a failed remarketing. DTC, in turn, is to send notice of mandatory tender to its DTC Participants for distribution to the Beneficial Owners of the 2025A Certificates. See “BOOK–ENTRY ONLY SYSTEM.”

## **CONVERSION OF THE 2025A CERTIFICATES**

***General.*** Pursuant to the 2025A Trust Agreement, the City may, at any time on or after the Call Protection Date for the 2025A Certificates, effect a conversion of the 2025A Certificates to the Fixed Rate Mode. At any time, all of the 2025A Certificates shall bear interest in the same Mode.

***Conversion to Fixed Rate Mode.*** At the option of the City, all of the 2025A Certificates may be converted from the Term Rate Mode to the Fixed Rate Mode on any Business Day on or after the Term Call Protection Date for the then applicable Term Rate Period for such 2025A Certificates. To effect the conversion, the City may give written notice to the Trustee, the Tender Agent and the Remarketing Agent stating, among other things, that the 2025A Certificates will be converted to the Fixed Rate Mode and setting forth the proposed Conversion Date. Notice of the proposed conversion to a Fixed Rate Mode will be given by the Trustee to the Owners of the affected 2025A Certificates not later than the fifteenth (15th) day next preceding the proposed

Conversion Date. Such notice will state: (a) that the 2025A Certificates will be converted to the Fixed Rate Mode; (b) the proposed Conversion Date; (c) that such Owner is required to tender such Owner's 2025A Certificates for purchase on such proposed Conversion Date; and (d) that the mandatory purchase will not occur on the proposed Conversion Date unless the conditions set forth in the 2025A Trust Agreement for the effectiveness of the conversion to a Fixed Rate Mode have been satisfied.

No conversion of the 2025A Certificates to the Fixed Rate Mode will occur unless the following conditions precedent are satisfied:

1. the Trustee shall have received sufficient remarketing proceeds from the remarketing of the of the 2025A Certificates in the Fixed Rate Mode to pay the Purchase Price of the 2025A Certificates subject to mandatory tender in connection with the conversion to the Fixed Rate Mode; and
2. the following items shall have been delivered to the Trustee on or prior to the Conversion Date:
  - (i) a Favorable Opinion of Bond Counsel dated the Conversion Date; and
  - (ii) notice from each Rating Agency of the rating(s) to be assigned to the 2025A Certificates on such Conversion Date.

***Failure to Satisfy Conditions Precedent to a Conversion.*** In the event the conditions described above under the subcaption “– *Conversion to Fixed Rate Mode*” have not been satisfied by the proposed Conversion Date, then the conversion to a Fixed Rate Mode of the 2025A Certificates shall not take effect. In the case of a failed conversion to the Fixed Rate Mode of the 2025A Certificates from the Term Rate Mode, the 2025A Certificates will remain in the Term Rate Mode and the then applicable Term Rate will continue during the Term Rate Period as described under the caption “DESCRIPTION OF CERTAIN PROVISIONS OF THE 2025A CERTIFICATES – Interest Rate Provisions.” The Trustee will, within five (5) Business Days after the proposed failed Conversion Date, send notice to the Notice Parties and to the Owners of the 2025A Certificates by Electronic Means stating that the conditions to the conversion have not all been satisfied and informing them of the consequences thereof.

## **SPECIAL CONSIDERATIONS RELATING TO THE 2025A CERTIFICATES**

***The City's Ability to Pay the Purchase Price of the 2025A Certificates on a Scheduled Mandatory Tender Date May Be Limited.*** As described in this Official Statement, on the respective Scheduled Mandatory Tender Date therefor, the Owners of all of the 2025A Certificates must tender the 2025A Certificates for purchase. The City has not secured any liquidity facility or letter of credit to support the payment of the Purchase Price of the 2025A Certificates on the Scheduled Mandatory Tender Date. The ability of the City to pay the Purchase Price will depend on its ability to successfully remarket the 2025A Certificates. The City may not have sufficient funds to pay the Purchase Price of all of the 2025A Certificates to be tendered on their respective Scheduled Mandatory Tender Date.

The City will review its financing alternatives before the respective Scheduled Mandatory Tender Date for the 2025A Certificates. At any time on or after the Term Call Protection Date, the City may attempt to (a) effect a mandatory tender and remarket the 2025A Certificates for another Term Rate Period; (b) effect a mandatory tender and convert the 2025A Certificates from the Term Rate Mode to a Fixed Rate; or (c) issue certificates of participation to refund all or any portion of the 2025A Certificates. In order to manage the 2025A Certificates so as to avoid a failed remarketing on their Scheduled Mandatory Tender Date, the City may use one of these three financing alternatives before the Scheduled Mandatory Tender Date.

**Failure by the City to pay the Purchase Price of the tendered 2025A Certificates on the Scheduled Mandatory Tender Date will not constitute an event of default under the 2025A Trust Agreement.** In the

event sufficient funds are not available for the purchase of all of the 2025A Certificates on the Scheduled Mandatory Tender Date, then none of the 2025A Certificates will be purchased and all tendered 2025A Certificates will be returned to their respective Owners. In that event, the 2025A Certificates will remain outstanding and will accrue interest at increased interest rates in a Delayed Remarketing Period until all of the 2025A Certificates are remarketed, redeemed or paid at maturity as further described herein.

***Secondary Market May Not Develop.*** At any time, there may not be an established secondary market for the 2025A Certificates, including particularly during any Delayed Remarketing Period for any 2025A Certificates. In such event, an Owner may be unable to sell its 2025A Certificates in the secondary market.

## **THE 2025B CERTIFICATES**

The 2025B Certificates will be dated the date of their delivery. Principal with respect to the 2025B Certificates will be payable on January 1 of each year in the amounts set forth on the inside cover of this Official Statement. The 2025B Certificates represent undivided beneficial interests of the Owners thereof in the Lease Payments to be made under the Lease Agreement. Interest with respect to the 2025B Certificates will be payable semiannually on each January 1 and July 1, commencing January 1, 2027 (each, an “Interest Payment Date”) and will be computed on the basis of a 360-day year, comprised of 12 months of 30 days each. Lease Payments are due on each December 15 and June 15 under the Lease Agreement.

The 2025B Certificates will be executed and delivered in book-entry form only and, as and when delivered, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the 2025B Certificates. Individual purchases of the 2025B Certificates will be made in book-entry form only. Purchasers of the 2025B Certificates will not receive certificates representing their ownership interests in the 2025B Certificates purchased. Principal and interest payments represented by the 2025B Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the 2025B Certificates. See APPENDIX E - “BOOK-ENTRY ONLY SYSTEM.”

Interest will be paid by the Trustee on each Interest Payment Date with regard to each Certificate to the person registered as the Owner thereof at the close of business on the Record Date with respect to such interest payment and shall be paid by check mailed by first class mail to such Owner at such Owner’s address as it appears on the Certificate registration books or, upon the written request of an Owner of at least \$1,000,000 in principal amount of the 2025B Certificates received at least fifteen (15) days prior to a Record Date under the 2025A Trust Agreement, by wire transfer in immediately available funds to an account in the United States designated by such Owner, irrespective of the cancellation of such Certificate upon any transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date, unless the City shall default in the payment of interest due with respect to such Interest Payment Date. Payment of principal or premium due shall be paid only upon surrender of such Certificate at the Principal Office of the Trustee. In the event of any default in the payment of interest, such defaulted interest shall be payable to the Owner of such Certificate in the manner described in the 2025A Trust Agreement. “Record Date” means, with respect to any Interest Payment Date with respect to the 2025B Certificates, except for a payment of defaulted interest, the fifteenth day of the calendar month preceding any Interest Payment Date, whether or not such fifteenth day is a Business Day. With respect to any payment of defaulted interest, a special record date shall be established in accordance with the provisions of this 2025A Trust Agreement.

### **Prepayment**

***Optional Prepayment.*** The 2025B Certificates are not subject to optional redemption prior to maturity.

***Prepayment from Net Insurance Proceeds.*** The 2025B Certificates are subject to prepayment on any Interest Payment Date, in whole or in part (in integral multiples of \$5,000), from Net Insurance Proceeds deposited in the Prepayment Fund at least 60 days prior to a Payment Date and credited towards the Prepayment



made by the City in accordance with the Lease Agreement, at a prepayment price equal to the Principal Component thereof, together with accrued Interest Component to the date fixed for prepayment, without premium.

***Partial Prepayment of Certificates.*** Upon surrender by the Owner of a Certificate for partial prepayment, payment of such partial prepayment of the Principal Component will be made by check mailed by first class mail to the Owner at his address as it appears on the registration books of the Trustee. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates which shall be of authorized denominations equal in aggregate principal amount to the unprepaid Principal Component of the Certificate surrendered and of the same interest rate and the same maturity. Such partial prepayment shall be valid upon payment of the amount thereby required to be paid to such Owner, and the City, the Corporation and the Trustee shall be released and discharged from all liability to the extent of such payment.

***Notice of Prepayment.*** When prepayment is authorized or required pursuant to the 2025B Trust Agreement, the Trustee shall give notice of the prepayment of the affected 2025B Certificates. Such notice shall specify: (a) that the 2025B Certificates or a designated portion thereof are to be prepaid, (b) the CUSIP numbers, the numbers and dates of maturity of the 2025B Certificates to be prepaid, (c) the date of prepayment, and (d) the place or places where the prepayment will be made. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate to be prepaid, the portion of the Principal Component to be prepaid, together with the Interest Component accrued to said date, and that from and after such date the Interest Component shall cease to accrue and be payable.

Notice of such prepayment shall be mailed by first class mail, postage prepaid, to the City, the Corporation and the respective Owners of any 2025B Certificates designated for prepayment at their addresses appearing on the 2025B Certificate registration books, not less than 20 days, but not more than 60 days, prior to the prepayment date; provided, that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such 2025B Certificates. Failure by an Owner, securities depository or information service to receive notice as provided in the 2025B Trust Agreement shall not affect the validity of the prepayment.

Any such notice of prepayment (other than a notice of mandatory sinking fund prepayment) may be (a) cancelled and annulled by a subsequent request of the City given to the Trustee at least five (5) days prior to the date fixed for prepayment and/or (b) made conditional upon the receipt of money or securities by the Trustee or the City or upon any other event, and, in each case, the Trustee shall thereupon forthwith give appropriate notice of such cancellation and annulment or the non-occurrence of such condition.

***Effect of Notice of Prepayment.*** Notice having been given as set forth above and in the 2025B Trust Agreement, and the moneys for the prepayment (including the Interest Component accruing through the applicable date of prepayment) having been set aside in the Prepayment Fund, the 2025B Certificates so called shall become due and payable on said date of prepayment, and upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid in the amount of the unpaid Principal Component, plus the Interest Component accrued and unpaid to said date of prepayment. If, on said date of prepayment, moneys for the prepayment of all the 2025B Certificates to be prepaid, and premium, if any, together with Interest Component accrued to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said date of prepayment, the Interest Component with respect to such Certificates shall cease to accrue and become payable.

## SECURITY AND SOURCES OF PAYMENT FOR THE 2025 CERTIFICATES

### General

Each 2025A Certificate represents an undivided proportionate interest in the 2025A Trust Agreement Lease Payments to be made by the City to the Corporation. Each 2025B Certificate represents an undivided proportionate interest in the 2025B Trust Agreement Lease Payments to be made by the City to the Corporation. The Corporation, pursuant to the Assignment Agreement, will assign and set over to the Trustee all of its rights in the Lease Agreement including, but not limited to, all of the Corporation's rights to receive and collect the Lease Payments, Prepayments, Additional Payments and any other amounts required to be paid pursuant to the Lease Agreement or pursuant to the Trust Agreements, excepting only its right to indemnification. All Lease Payments and Prepayments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee and applied pursuant to the provisions of the 2025A Trust Agreement or the 2025B Trust Agreement, as applicable, and all of the Lease Payments and Prepayments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and all such Lease Payments, Prepayments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the applicable Lease Payment Fund or the Prepayment Fund pursuant to the provisions of the 2025A Trust Agreement or the 2025B Trust Agreement, as applicable.

The 2025A Lease Payments have been pledged to and shall be used for the punctual payment of the 2025A Certificates, and the 2025A Lease Payments shall not be used for any other purpose while any of the 2025A Certificates remain outstanding. The 2025B Lease Payments have been pledged to and shall be used for the punctual payment of the 2025B Certificates, and the 2025B Lease Payments shall not be used for any other purpose while any of the 2025B Certificates remain outstanding.

In the Trust Agreements, the City covenants that the respective pledges will constitute a first and exclusive lien on the respective Lease Payments in accordance with the Trust Agreements. Subject to the abatement of Lease Payments, the City has covenanted under the Lease Agreement that so long as the Leased Premises, or a portion of such Leased Premises with a fair market value in excess of the aggregate Principal Components under such Lease Agreement then remaining unpaid, are available for the City's use, the City will take such action as may be necessary to include all Lease Payments and Additional Payments due under the Lease Agreement in its budgets and to make the necessary appropriations for all such Lease Payments and Additional Payments. The Corporation and the City, as their interests may appear, have granted to the Trustee, for the benefit of the Owners, a lien on and a security interest in the respective moneys in the funds and accounts held by the Trustee under the Trust Agreements, including without limitation, the respective Lease Payment Fund, Prepayment Fund and Net Insurance Proceeds Fund (and, with respect to the 2025A Trust Agreement, the Certificate Purchase Fund), and all such moneys shall be held by the Trustee in trust and applied to the respective purposes specified in the respective Trust Agreement and in the Lease Agreement.

**THE OBLIGATION OF THE CITY TO PAY THE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO PAY LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE STATE, OR OF ANY OF ITS POLITICAL SUBDIVISIONS, AND DOES NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

## **Release or Substitution of Leased Premises**

The Lease Agreement provides that the City has the right to substitute alternate real property or improvements for the Leased Premises, release existing property or add additional real property or equipment to the Leased Premises, upon written notice of such substitution or addition to all rating agencies, if any, then rating the 2025 Certificates and compliance with other requirements of the Lease Agreement. See APPENDIX B - "SUMMARY OF THE LEASE AGREEMENT- Lease Agreement."

## **Source of Lease Payments**

Under the terms of the Lease Agreement, the Corporation will lease the Leased Premises to the City, and the City is required to make the Lease Payments to the Trustee at the times and in the amounts specified in the Lease Agreement, plus Additional Payments as necessary to pay all fees, costs and expenses of the Corporation in its performance of the Lease Agreement and Trust Agreements, including fees and expenses of the Trustee in performance of its duties under the Trust Agreements. The City will pay to the Corporation, its successors and assigns, as rental for the use and possession of each of the Leased Premises, the Lease Payments, each comprised of a Principal Component and an Interest Component in the amounts specified in the Lease Agreement, as due and payable on the 15th day of each December and June or, if any such day is not a Business Day, then the next succeeding Business Day (on such other dates as may be required with respect to the 2025A Certificates) (each, a "Lease Payment Date"). Such payments are intended to be sufficient in both time and amount to pay when due the portion of the Principal Component and Interest Component evidenced and represented by the 2025 Certificates and becoming due on the next respective Payment Date.

The Lease Payments will be paid from any source of legally available funds of the City, and the City has covenanted that the City will take such action as may be necessary to include all such Lease Payments due under the Lease Agreement in its budgets and to make the necessary appropriations for all such Lease Payments, which covenants of the City shall be deemed to be, and shall be, ministerial duties imposed by law, and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants made by the City under such Lease Agreement.

In each Trust Agreement, the Trustee will establish a special fund designated as the "City of Manhattan Beach Series 2025[A][B] Lease Payment Fund" (each, a "Lease Payment Fund"). There will be deposited into the respective Lease Payment Fund certain deposits received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Lease Agreement or pursuant to the Trust Agreement. All moneys at any time deposited by the Trustee in the respective Lease Payment Fund under the applicable Trust Agreement will be held by the Trustee in trust for the benefit of the Owners of the 2025A Certificates or the 2025B Certificates, as applicable and amounts on deposit in the applicable Lease Payment Fund not required for the purpose of paying the Principal Component and the Interest Component then due and payable with respect to the 2025A Certificates or the 2025B Certificates, as applicable will be credited toward the Lease Payment due on the next succeeding Lease Payment Date. So long as any Certificates are Outstanding, neither the City nor the Corporation will have any beneficial right or interest in the respective Lease Payment Fund or the moneys deposited therein, except only as provided in the applicable Trust Agreement, and such moneys will be used and applied by the Trustee as set forth in the applicable Trust Agreement.

Except as provided in the Trust Agreements with respect to application of investment earnings and reimbursement provisions, all amounts in the Lease Payment Fund will be used and withdrawn by the Trustee solely for the purpose of paying the Principal Component and the Interest Component as the same shall become due and payable, in accordance with the Trust Agreements.

Except as provided in the previous paragraph, the Trustee will apply moneys on deposit in the respective Lease Payment Funds in the following order of priority:

(a) On or before each Payment Date, an amount sufficient to pay the respective Interest Component due and payable on the 2025A or 2025B Certificates on such date shall be set aside by the Trustee and applied to the payment of such respective Interest Component;

(b) On or before each respective Principal Payment Date, an amount sufficient to pay the respective Principal Component coming due and payable on the 2025A or 2025B Certificates on such date shall be set aside and applied to the payment of such Principal Component; and

(c) To the extent that Prepayments are made on each date set for prepayment of the 2025A Certificates or the 2025B Certificates in accordance with the respective Trust Agreement, the amount prepaid shall be deposited into the applicable Prepayment Fund to be applied for the prepayment of the 2025A Certificates or the 2025B Certificates, as applicable, in accordance with the Trust Agreements.

See “SUMMARY OF THE LEASE AGREEMENT; FORMS OF TRUST AGREEMENTS.”

### **Abatement of Lease Payments**

The obligation of the City to make Lease Payments is subject to abatement in the event of condemnation, damage or destruction of the Leased Premises, or if there is substantial interference with the use and possession of the Leased Premises by the City. The amount of such abatement shall be determined by the City such that the resulting Lease Payments represent fair consideration for the use and possession of the portion of the Leased Premises not condemned, damaged or destroyed. Such abatement shall commence on the date of condemnation, damage or destruction and shall end with the substantial completion of the replacement or work of repair. Except as provided in the Trust Agreements, in the event of any such condemnation, damage or destruction, the Lease Agreement shall nonetheless continue in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such condemnation, damage or destruction. In the event of any abatement of the Lease Payments, each of the 2025A Trust Agreement Lease Payments and the 2025B Trust Agreement Lease Payments shall be abated pro rata, on the basis of the outstanding Principal Components of the 2025A Certificates (and any Additional 2025A Trust Agreement Certificates) and the 2025B Certificates (and any Additional 2025B Trust Agreement Certificates).

See “RISK FACTORS — Abatement” and APPENDIX B - “SUMMARY OF THE LEASE AGREEMENT; FORMS OF TRUST AGREEMENTS - Lease Agreement.”

### **No Reserve Fund**

No reserve fund has been established with respect to the 2025 Certificates.

### **Lease Payments**

The 2025A Lease Payments and the 2025B Lease Payments are required to be made by the City to the Trustee under the Lease Agreement on the Lease Payment Date, which are intended to be sufficient in both time and amount to pay when due the portion of the Principal Component and Interest Component evidenced and represented by the 2025A Certificates and the 2025B Certificates, respectively, due on the next Payment Date.

The 2025A Trust Agreement requires that the 2025A Lease Payments be deposited in the Lease Payment Fund for the 2025A Certificates. The 2025A Trust Agreement requires that the 2025A Lease Payments be deposited in the Lease Payment Fund for the 2025A Certificates. All moneys at any time deposited by the Trustee in the respective Lease Payments Fund shall be held by the Trustee in trust for the benefit of the Owners of the applicable 2025 Certificates. So long as the 2025A Certificates or the 2025B Certificates are Outstanding, neither the City nor the Corporation shall have any beneficial right or interest in the applicable Lease Payment Fund or the moneys deposited therein, except only as provided in the respective Trust Agreement, and such moneys shall be used and applied by the Trustee as set forth in the respective Trust Agreement.

There shall be deposited into the respective Lease Payment Fund all Lease Payments received by the Trustee for deposit in such Lease Payment Fund and any other moneys required to be deposited therein pursuant to the Lease Agreement or pursuant to the respective Trust Agreement. On or prior to each June 1, and December 1, the Trustee shall notify the City of the amounts on deposit in the Lease Payment Fund to be credited toward the Lease Payments due on the next succeeding Lease Payment Date.

### **Additional Certificates**

Subject to compliance with the requirements of the each Trust Agreement, the City, the Corporation and the Trustee may by execution of a Supplemental Trust Agreement and without the consent of the Owners, provide for the execution and delivery of Additional Certificates in one or more Series under either Trust Agreement. The Trustee may execute and deliver to or upon the request of the Corporation such Additional Certificates, in such principal amounts as shall reflect the additional principal components of the Lease Payments and the proceeds of such Additional Certificates may be applied to pay the project costs of any additional project. Such Additional Certificates may only be executed and delivered upon compliance by the City with the provisions of the Trust Agreements, and subject to specific conditions set forth therein. See APPENDIX B — SUMMARY OF THE LEASE AGREEMENT; FORMS OF TRUST AGREEMENTS.”

Any Additional Certificates will be on a parity with, and each Owner thereof will have the same rights upon an event of default as the Owner of, any other Certificates executed and delivered under the respective Trust Agreement, except as otherwise provided in the Supplemental Trust Agreement under which Additional Certificates are executed and delivered.

### **Additional Payments**

Throughout the Term of the Lease Agreement, the City will also make Additional Payments. Additional Payments encompass all administrative costs of the Corporation relating to the Leased Premises or the execution, sale and delivery of the 2025 Certificates, including, without limitation, all expenses, compensation and indemnification of the Trustee, taxes, if any, payable by the Corporation as a result of its ownership of the Leased Premises, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the 2025 Certificates or of the Trust Agreements or to defend the Corporation and its directors, officers and employees in connection therewith. Additional Payments are payable by the City directly to the person or persons to whom such amounts are payable when due or within ten days after notice in writing from the Trustee.

### **Insurance**

The Lease Agreement requires that the City shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, a commercial general liability insurance policy or policies in protection of the City and the Corporation, their respective officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City, and may be maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the City. Said policy or policies shall provide coverage in the minimum liability limits of \$5,000,000 for personal injury or death of each person. Deductibles, if any, shall be in such amounts as may reasonably be obtained by a city of comparable size to the City, in the same county as the City, insuring risks comparable to those that are the subject of said insurance coverage. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City.

The Net Insurance Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid, including, where appropriate, the application of Net Insurance Proceeds with respect to the prepayment of the Lease Payments as provided in the Lease Agreement.

The Lease Agreement also provides the City shall maintain workers' compensation insurance as required under the laws of the State of California. Workers' compensation insurance may, to the extent provided by law, be maintained in the form of self-insurance.

The Lease Agreement requires that the City maintain or cause to be maintained, throughout the Term of the Lease Agreement, "All Risk" property insurance, in an aggregate amount at least equal to the aggregate Principal Component of Certificates at that time Outstanding under the Trust Agreements except that such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the City, and may be maintained in the form of self-insurance by the City. The Net Insurance Proceeds of each policy or coverage shall be applied as provided in accordance with the Lease Agreement and the Trust Agreements.

In addition, the City covenants that it shall maintain or cause to be maintained rental interruption insurance in an amount not less than the maximum remaining scheduled Lease Payments in any consecutive two-year period, to insure against loss of use of the Leased Premises caused by perils covered by the insurance required in the paragraph immediately above. Such insurance may be subject to a deductible clause of not to exceed \$10,000 and may be maintained as part of or in conjunction with any other rental interruption insurance carried by the City but may not be maintained in the form of self-insurance. The Net Insurance Proceeds of such insurance shall be paid to the Trustee and deposited in the respective Lease Payment Fund under the Trust Agreements, and shall be credited toward the payment of the respective Lease Payments in the order in which such Lease Payments come due and payable.

The City shall obtain an ALTA title insurance policy or policies insuring the leasehold interest established under the Lease Agreement, in an aggregate amount no less than the aggregate Principal Component of the 2025 Certificates.

The City also covenants that it shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. The City will deliver to the Corporation and the Trustee in the month of December in each year a certificate to the effect that the requirements set forth above have been satisfied.

## **THE CITY**

### **History**

The City of Manhattan Beach is a general law city located in the South Bay area of Los Angeles County on the shore of the Pacific Ocean, bordered by El Segundo to the north, Hawthorne, Lawndale and Redondo Beach to the east and Hermosa Beach to the south. The City was incorporated on December 12, 1912.

The City encompasses approximately 2,492 acres or 3.9 square miles, which is essentially fully developed consisting primarily of residential development, with commercial development along the major arterials and some light industrial development in the northeast portion of the City. The terrain is characterized by rolling hills that slope to the Pacific Ocean. There are 2.1 miles of beach front and 54 acres of developed parks. Elevations vary from sea level to approximately 200 feet above sea level.

### **Population and Employment**

The City has a population of approximately 34,051 residents as of January 2025 and is mostly "built-out." The City's daytime population is estimated at 40,889, which represents the net effect of persons coming into or leaving a community for work, entertainment, shopping, etc. during the typical workday. An increased daytime population puts greater demand on host community services which directly impacts operational costs.

Major employers in the City include Northrop Grumman, Skechers USA Inc., Manhattan Beach Unified School District, Kinecta Federal Credit Union, Target Corporation, City of Manhattan Beach, Manhattan Beach Hotel TRS LLC, and Ralphs Grocery Company.

### **Municipal Government**

The City Council, consisting of five members, and City Treasurer are elected at large for four-year terms. The City's current elected officials are:

<i><b>Title</b></i>	<i><b>Member</b></i>	<i><b>Term Expires March</b></i>
Mayor	David Lesser	December 2026
Mayor Pro Tem	Joe Franklin	December 2028
Councilperson	Nina Trieu Tarnay	December 2028
Councilperson	Steve S. Charelian	December 2028
Councilperson	Amy Thomas Howorth	December 2026
City Treasurer	Tim Lilligren	December 2028

Appointed staff members serving the City are:

Talyn Mirzakhanian	City Manager
Quinn Barrow	City Attorney
Libby Bretthauer	Finance Director
Liza Tamura	City Clerk
Julie Bondarchuk	Financial Controller
Emy-Rose Hanna	Budget & Financial Analyst

### **City Employees**

There are 348 budgeted full-time City employees excluding elected officials. Additionally, the City employs part-time staff equating to approximately 68 full-time equivalent positions. The City generally enjoys positive relations with its employees. About 9% of the City's full-time employees are not represented, while the remaining 91% are represented by employee organizations within five bargaining units. The five bargaining units are: the Manhattan Beach Firefighters Association; the Manhattan Beach Police Officers Association; the Manhattan Beach Police Management Association; the Manhattan Beach Mid-Management Association; and the Teamsters Local 911. Existing labor agreements are expiring June 30, 2028, with the exception of the Manhattan Beach Firefighters Association, which expires on June 30, 2026.

The following table summarizes the membership of the City's unrepresented unit and employee associations as set forth in the Fiscal Year 2025-26 Adopted Budget. Additionally, the City employs part-time staff equating to approximately 68 full-time equivalent positions.

**TABLE 1**  
**City of Manhattan Beach**  
**Unrepresented Unit and Employee Associations**

<i><b>Employee Unit</b></i>	<i><b>Number of Budgeted Full Time Employees*</b></i>	<i><b>Percent of Workforce</b></i>	<i><b>Expiration Date of Current Agreement</b></i>
Manhattan Beach Fire Association	30	8.6%	6/30/2026
Manhattan Beach Police Officers' Association	64	18.4	6/30/2028

Manhattan Beach Police Management Association	7	2.0	6/30/2028
Manhattan Beach Mid-Management Association	61	17.5	6/30/2028
Miscellaneous Unit - Teamsters Local 911	155	44.5	6/30/2028
Management/Confidential (not represented)	31	8.9	6/30/2028
TOTAL	348	100.0%	

\*Excludes elected officials.

### **City General Fund Budget Process**

The City's fiscal year begins on the first day of July each year and ends on the thirtieth day of June the following year.

As the Budget is developed, requests are submitted by departmental managers to the Finance Director and City Manager for review. The City Manager, the Finance Director and department heads meet to review the requests and establish program objectives for the coming year. The City Manager then prepares his recommendations to the City Council and the Finance Director submits the financing plan to fund the recommended budget.

The City Council typically receives the proposed budget by the second week of May and thereafter schedules public study sessions to review the recommendations with the City Manager and department heads. Tentative approvals are made by the City Council, pending determination of final fund balance and revenue figures. The Finance Director usually submits the City Council approved budget for final public hearing and adoption in June.

After the new fiscal year begins in July, the first opportunity to review budget performance occurs with Finance Department's presentation of a first quarter budget report in the fall. Early in the next calendar year, the Finance Department presents a mid-year review of the budget performance. At that time, mid-year results are presented to the City Council with special emphasis placed on the financial performance to date and the state of the economy. A projection of fund balances through the end of the fiscal year is also presented.

From the effective date of the budget, the amounts adopted as expenditures become appropriated to the nine departments for the projects and purposes named. All appropriations (except appropriations for capital projects and grant initiatives, which are in effect until the projects are completed) lapse at the end of the fiscal year to the extent that they have not been expended or lawfully encumbered. At any public meeting after the adoption of the budget, the City Council may amend or supplement the adopted budget with a majority vote of the members of the Council.

At the beginning of each fiscal year, the City Council employs an independent certified public accounting firm which, at such times as specified by the City Council, but not less than annually, examines the financial statements. As soon as practicable after the end of each fiscal year, these financial statements are submitted to the City Council.

### **General Economic Condition and Outlook of the City**

*Fiscal Year 2024-25.* The City Council adopted the Fiscal Year 2024-25 Budget on June 4, 2024, with an estimated General Fund operating budget surplus of approximately \$500,000. After taking into account expected transfers and policy reserves, the unreserved General Fund balance was projected to total \$5.6 million at the end of Fiscal Year 2024-25 at the time of budget adoption.



On February 18, 2025, City staff presented the City Council with the Fiscal Year 2024-25 Mid-Year Budget Report (the “Mid-Year Report”). The projections (which the City believes were conservative) included in the Mid-Year Report projections were used in connection with the preparation of the Fiscal Year 2025-26 Adopted Budget. The Mid-Year Report projected that the City's General Fund operating budget would finish Fiscal Year 2024-25 with expenditures exceeding revenues by approximately \$350,000. Significant variations from the Fiscal Year 2024-25 Adopted Budget included higher-than budgeted amounts for overtime costs, employee benefits, and utilities. With respect to revenues, the Mid-Year Report stated that property taxes, transient occupancy taxes, business license taxes, building permit fees, service charges, and Measure MMB Transaction and Use (described below) taxes were all expected to exceed budgeted amounts.

For the acquisition of the Acquired Property, the City utilized \$13.2 million from the General Fund balance, which will be reimbursed to the City from the proceeds of the 2025A Certificates. After this temporary drawdown in reserves, the total General Fund balance on June 30, 2025, is estimated to be nearly \$19.0 million.

**Estimated June 30, 2025 General Fund Balance**

General Fund Unreserved	\$-
Financial Policy Designation	18,977,311
Reserve for Economic Uncertainty	-
<b>Total General Fund Balance</b>	<b>\$18,977,311</b>

*Fiscal Year 2025-26 Adopted Budget.* On June 3, 2025, the City Council adopted the Fiscal Year 2025-26 Budget, which reflected a General Fund operating budget surplus of \$19,839,399. This estimated surplus includes anticipated proceeds of the 2025A Certificates of \$13,221,000 to reimburse the General Fund balance for the recent land acquisition. (If the proceeds are excluded, the General Fund operating budget surplus is projected to be \$6,618,399 and General Fund revenues are projected to be \$112,198,628.) Fiscal Year 2025-26 includes new revenues from the Measure MMB Transactions and Use Tax, which was approved by voters in November 2024, anticipated at \$5.9 million. To maximize cost recovery, the City Council also adopted an updated Cost Allocation Plan and Comprehensive User Fee Schedule on April 15, 2025. General Fund expenditures in the Fiscal Year 2025-26 Adopted Budget were projected to be \$105,580,229, an increase from the Fiscal Year 2024-25 Adopted Budget of \$7.1 million (7.2%) but \$3.8 million (3.7%) over Fiscal Year 2024-25 year-end estimates. The Fiscal Year 2025-26 Adopted Budget included an increase of \$4.4 million in salaries and benefits (mainly due to salary increases per labor group agreements) and increases in internal service charges to fund operations in the Insurance Reserve and Information Technology Funds.

In accordance with the City’s Pension Policy, a transfer out to the PARS Section 115 Trust Fund is decreasing the unreserved General Fund balance by \$3.2 million in Fiscal Year 2025-26. A transfer out to the Capital Improvement Projects (CIP) Fund of \$5.0 million is budgeted for infrastructure projects and payments with respect to the 2025A Certificates anticipated debt service on 400 Manhattan Beach Boulevard. Additionally, a transfer out of \$500,00 to the Storm Drain Fund is budgeted for a critical infrastructure project.

Taking into account expected proceeds of the 2025 Certificates, transfers and policy reserves, the total General Fund balance on June 30, 2026, is projected to total approximately \$30.2 million. Within this total fund balance, \$25.1 million has been designated to policy and economic uncertainty reserves, and \$5.1 million is unreserved (available). Unreserved funds will be needed for future capital improvements and to relieve future anticipated deficits in the Street Lighting & Landscape Fund.

**Budgeted June 30, 2026 General Fund Balances**

General Fund Unreserved	\$5,084,338
Financial Policy Designation	21,101,166
Reserve for Economic Uncertainty	4,000,000
<b>Total General Fund Balance</b>	<b>\$30,185,504</b>

Revenues. For Fiscal Year 2025-26, budgeted property taxes are increasing as assessed values continue to rise based on higher home sale prices given low inventories and high demand, especially after the tragic Palisades and Eaton wildfires that recently displaced almost 13,000 households in the greater Los Angeles region. When excluding one-time proceeds of the 2025 Certificates in Fiscal Year 2025-26, Property Tax receipts contribute 41.9% of General Fund revenue. Overall, Property Tax receipts are expected to increase 5.2% over the prior year budget to \$47.0 million in Fiscal Year 2025-2026. Comparing this to the more recent Fiscal Year 2024-2025 mid-year projection, Property Taxes are estimated to increase \$2.3 million or 5.1%.

Sales Tax, the City's second largest General Fund revenue source at 10.2% of total revenue excluding 2025 Certificate proceeds, has increased to \$11.4 million, about \$90,000 (0.8%) above the prior year budget. The City's most significant sales tax categories are General Consumer Goods and Restaurants/Hotels. In addition to our vibrant Downtown and North Manhattan Beach business districts, the Manhattan Village Mall was revitalized over the last few years with a 53,300-square-foot expansion called the Village Shops, which consists of curated open-air dining and retail space with a modern look. Several luxury shops and restaurants have since opened, creating an upscale and attractive shopping experience for visitors.

Over the last several years, online sales continue to grow while point-of-sale tax revenues have been trending down in the State. Online sales result in the collected sales tax going into a countywide pool, which is then allocated based on the City's share of point-of-sale taxes countywide. This trend towards online shopping is expected to continue, but with a strong brick-and-mortar base, the City expects to continue to receive a stable share from the County pool.

Additionally, on November 5, 2024, Manhattan Beach voters approved Measure MMB, which is a one-half cent (0.5%) sales tax measure to support general City services including keeping local streets, sidewalks, infrastructure, and parks safe, clean, and well maintained, repairing/upgrading aging community facilities, fixing potholes, and improving parking availability and traffic safety. In Fiscal Year 2025-2026, Measure MMB is expected to generate \$5,943,000 in new sales tax revenue that will be used locally to support on-going and critical capital improvement projects and related debt service. With this new revenue generating additional General Fund surpluses, funds may be transferred to the CIP Fund to support capital investments.

Hotel, motel and short-term rental occupancy taxes are expected to generate approximately \$9.0 million in General Fund revenue in Fiscal Year 2025-2026, approximately \$434,000 (5.0%) more than the prior year budget. The budget for Fiscal Year 2025-2026 assumes occupancy rates will be steady over the coming months. The significant increase in TOT collected is the result of approximately 170 licensed short-term rentals operating in the Coastal Zone as of April 2025. Another impact to General Fund revenues includes the increase in the transient occupancy tax rate from 12% to 14%, which went into effect in July 2023.

Expenditures. General Fund expenditures equal \$105,580,229 in Fiscal Year 2025-2026, an increase from the Fiscal Year 2024-2025 Budget of \$7.1 million (7.2%). When comparing to the more recent Fiscal Year 2024-2025 mid-year estimates, the Fiscal Year 2025-2026 Budget is \$3.8 million (3.7%) higher.

At about 60% of General Fund Expenditures, Salaries and Benefits represent the largest portion of the budget in Fiscal Year 2025-2026. This category shows an increase due to cost-of-living adjustments that are anticipated in labor agreements and necessary position changes to meet organizational needs and service requests from the community. Recruitment and employee retention are a top priority internally as we adapt to changing workforce trends.

**TABLE 2**  
**City of Manhattan Beach**  
**ADOPTED GENERAL FUND BUDGET**  
**For the Fiscal Years ended June 30, 2024 through June 30, 2026**

<b>REVENUES</b>	<b>FY 2023-24</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>
	<i>Adopted</i>	<i>Actual</i>	<i>Adopted</i>	<i>Estimated Actual</i>	<i>Adopted</i>
Property Tax	\$42,563,634	\$43,067,609	\$44,688,638	\$44,738,402	\$47,018,618
Other Taxes & Assessments	25,903,262	27,890,306	27,707,610	29,160,663	34,913,600
Licenses & Permits	3,681,843	4,499,346	4,025,191	4,003,859	4,537,719
Fines	2,524,000	1,953,584	2,401,397	2,369,767	2,936,943
Interests & Rents	4,727,200	6,984,380	5,248,600	5,215,240	5,690,671
From Other Agencies	468,000	742,758	256,000	668,165	315,190
Service Charges	8,799,812	9,961,869	9,768,401	10,371,904	10,450,979
Interfund Charges	3,795,210	3,764,880	4,101,506	4,101,784	5,564,251
Miscellaneous	1,152,500	741,249	1,102,000	1,104,712	14,305,000*
<b>TOTAL REVENUES</b>	<u>\$93,615,461</u>	<u>\$99,605,981</u>	<u>\$99,299,343</u>	<u>\$101,734,496</u>	<u>\$125,732,971</u>
<b>EXPENDITURES</b>					
Personnel Services	\$55,806,136	\$57,124,857	\$59,915,476	\$62,496,259	\$65,133,854
Materials & Services	31,170,584	31,136,711	33,416,421	34,069,240	36,793,506
Capital Outlay	395,320	111,641	743,480	753,249	74,400
Debt Service	5,637,470	5,640,406	5,625,105	5,660,215	5,635,352
Interfund Transfers	13,134	221,282	13,134	13,134	13,134
<b>TOTAL EXPENDITURES</b>	<u>\$93,022,644</u>	<u>\$94,234,897</u>	<u>\$99,713,616</u>	<u>\$102,992,097</u>	<u>\$107,650,246</u>
<b>SURPLUS/(DEFICIT)</b>	<u>\$592,817</u>	<u>\$5,371,084</u>	<u>(\$414,273)</u>	<u>(\$1,257,601)</u>	<u>\$18,082,725</u>

The Table is displayed according to the budget as presented in the City's Annual Comprehensive Financial Report. The budget presented differs from the City's Adopted Annual Budget in that the Annual Comprehensive Financial Report includes certain fiduciary funds for financial statement presentation.

\* Assumes reimbursement of the costs of the Acquired Property from the proceeds of the 2025A Certificates.

Source: City of Manhattan Beach

#### **Five Year General Fund Forecast**

The City prepares a five-year budget forecast (the "Five Year Forecast") in connection with the preparation of each budget. Long-term forecasts allow the City to proactively address any potential budget/operational challenges. The City uses a dynamic model for all funds that is updated annually to reflect changing economic conditions. The current adopted budget is used as basis for future years, with assumed increases in revenues and expenditures based on historical trends and known information (i.e. contractual payroll increase. Additional transfers to capital and enterprise funds may be approved by the City Council to support critical infrastructure projects.

The most recent Five Year Forecast is shown on the following page. While the City believes that the forecast is reasonable, there can be no assurances that actual results will not materially adversely differ from the forecast amounts.

**TABLE 3**  
**City of Manhattan Beach**  
**Five Year Forecast - General Fund**  
**For the Fiscal Years ended June 30, 2026 through June 30, 2030**

	Fiscal Year 2026 Budget	Fiscal Year 2027 Forecast	Fiscal Year 2028 Forecast	Fiscal Year 2029 Forecast	Fiscal Year 2030 Forecast
<b>GENERAL FUND</b>					
<b>BEGINNING FUND BALANCE</b>	<b>\$18,977,311</b>	<b>\$30,185,504</b>	<b>\$28,466,293</b>	<b>\$27,248,784</b>	<b>\$27,601,677</b>
<b>Revenues</b>					
<b>Core Revenues</b>	112,165,238	116,473,675	121,224,757	126,032,625	130,073,677
<b>Non-core Revenues (One-time &amp; Grants)<sup>(1)</sup></b>	13,254,390	13,094	13,618	14,094	14,587
<b>Total Revenues &amp; Other Inflows (A)</b>	<b>\$125,419,628</b>	<b>\$116,486,769</b>	<b>\$121,238,375</b>	<b>\$126,046,719</b>	<b>\$130,088,265</b>
<b>Expenditures</b>					
<b>Core Expenditures</b>	105,505,829	109,368,821	113,399,867	116,424,710	120,007,309
<b>Non-core Expenditures (One-time &amp; Capital)</b>	74,400	-	-	-	-
<b>Total Expenditures &amp; Other Outflows (B)</b>	<b>\$105,580,229</b>	<b>\$109,368,821</b>	<b>\$113,399,867</b>	<b>\$116,424,710</b>	<b>\$120,007,309</b>
<b>Core Structural Surplus/(Deficit)</b>	<b>\$6,659,409</b>	<b>\$7,104,855</b>	<b>\$7,824,891</b>	<b>\$9,607,915</b>	<b>\$10,066,368</b>
<b>Total Surplus/(Deficit) Before Transfers</b>	<b>\$19,839,399</b>	<b>\$7,117,948</b>	<b>\$7,838,508</b>	<b>\$9,622,009</b>	<b>\$10,080,956</b>
<b>Fund Equity Transfers Total (C)</b>	<b>\$(8,631,206)</b>	<b>\$(8,837,160)</b>	<b>\$(9,056,018)</b>	<b>\$(9,269,117)</b>	<b>\$(9,496,836)</b>
Street Lighting & Landscape Fund	(284,462)	(305,744)	(326,966)	(348,094)	(371,938)
<b>CIP Fund (Pending Council Direction)</b>	<b>(5,000,000)</b>	<b>(5,000,000)</b>	<b>(5,500,000)</b>	<b>(5,500,000)</b>	<b>(5,500,000)</b>
Storm Drain Fund	(500,000)	(500,000)	-	-	-
County Parking Lots Fund	400,149	446,412	494,980	545,219	597,791
<b>Section 115 Trust Fund<sup>(2)</sup></b>	<b>(3,246,893)</b>	<b>(3,477,827)</b>	<b>(3,724,031)</b>	<b>(3,966,242)</b>	<b>(4,222,689)</b>
<b>Increase/(Decrease) in Fund Balance (=A-B+C)</b>	<b>\$11,208,193</b>	<b>\$(1,719,211)</b>	<b>\$(1,217,509)</b>	<b>\$352,893</b>	<b>\$584,120</b>
<b>ENDING FUND BALANCE</b>	<b>\$30,185,504</b>	<b>\$28,466,293</b>	<b>\$27,248,784</b>	<b>\$27,601,677</b>	<b>\$28,185,797</b>
Financial Policy Designation	\$21,101,166	\$21,873,764	\$22,679,973	\$23,284,942	\$24,001,462
Reserve for Economic Uncertainty	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Unreserved Fund Balance <sup>(3)</sup>	\$5,084,338	\$2,592,529	\$ 568,811	\$ 316,735	\$ 184,334

<sup>(1)</sup> Includes anticipated receipt of the proceeds of the 2025A Certificates.

<sup>(2)</sup> 100% of Pension Policy Transfer to Section 115 Pension Trust Fund (subject to annual Council direction).

<sup>(3)</sup> Unreserved Fund Balance includes Reserve for Encumbrances.

Source: The City

## City Financial Information

*Fund Types.* The City maintains three main governmental fund types into which its revenues are deposited: General Fund, Special Revenue Funds and Capital Projects Funds.

**General Fund.** The General Fund is the general operating fund of the City. All general revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenses and capital improvement costs which are not paid through other funds.

**Special Revenue Funds.** The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or administrative regulation to be accounted for in a separate fund.

**Capital Projects Funds.** The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*Financial Statements.* All governmental funds, including the General Operating Funds and Capital Projects Funds, are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed taxes are considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

The City employs an independent certified public accounting firm to annually audit the City’s financial statements in conformity with generally accepted accounting principles for governmental entities and to review internal financial controls. The audited Annual Comprehensive Financial Report of the City has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association for fiscal year 2023. The City has consistently been awarded the Certificate for the past twenty years. The annual audit report is generally available by February of the succeeding fiscal year.

The following tables show the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund balance sheet for Fiscal Years 2019-20 through Fiscal Year 2023-24.

**TABLE 4**  
**City of Manhattan Beach**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund**  
**For the Fiscal Years ended June 30, 2020 through June 30, 2024**

	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
<b>Revenues</b>					
Taxes and assessments	\$52,044,383	\$53,762,000	\$62,995,151	\$66,225,824	\$70,957,916
Licenses and permits	2,572,460	3,577,333	3,983,079	3,880,050	4,340,758
Intergovernmental	455,990	5,228,799	4,801,637	453,018	742,757
Charges for services	10,672,990	10,263,195	11,829,242	11,994,189	13,424,323
Use of money and property	4,875,067	2,479,805	1,647,517	4,846,538	7,146,781
Fines and forfeitures	1,925,543	1,443,177	2,358,731	2,612,258	1,953,584
Miscellaneous Revenues	879,335	1,300,483	2,076,767	1,451,967	1,202,262
<b>Total revenues</b>	<b>\$73,425,768</b>	<b>\$78,054,792</b>	<b>\$89,692,124</b>	<b>\$91,463,844</b>	<b>\$99,768,381</b>
<b>Expenditures</b>					
General government	\$14,299,084	\$24,214,335	\$14,975,284	\$16,379,649	\$18,145,903
Public safety	43,491,601	109,351,264	41,611,175	44,939,777	48,738,762
Culture and recreation	6,914,199	9,863,555	6,947,767	7,656,724	9,371,097
Public works	7,644,229	12,869,660	8,528,320	8,974,132	10,126,724
Capital outlay	308,796	14,344	1,137	539,119	9,406,018
Debt service					
Principal retirement	305,000	310,000	4,191,660	4,560,850	5,318,532
Interest and fiscal charges	176,975	167,750	2,396,080	2,093,270	2,310,089
Fees	1,600	1600	1,600	1,600	1,600
<b>Total expenditures</b>	<b>\$73,141,484</b>	<b>\$156,792,508</b>	<b>\$78,653,023</b>	<b>\$85,145,121</b>	<b>\$103,418,725</b>
Excess (Deficiency) of revenues Over (Under) expenditures	284,284	(78,737,716)	11,039,101	6,318,723	(3,650,344)
<b>Other Financing Sources (Uses)</b>					
Transfers in	291,250	939,011	532,628	490,571	775,434
Transfers out	(494,783)	(1,653,782)	(4,365,153)	(8,475,088)	(4,832,895)
Issuance of long-term debt	-	85,377,203	-	-	-
Lease and subscriptions financing	-	-	-	534,169	9,403,714
<b>Total other financing sources (uses)</b>	<b>(\$203,533)</b>	<b>\$84,662,532</b>	<b>(\$3,832,525)</b>	<b>(\$7,450,348)</b>	<b>\$5,346,253</b>
Net change in fund balances	80,751	5,924,816	7,206,576	(1,131,625)	1,695,909
Fund Balances, Beginning of Year	26,454,596	26,686,085	32,610,901	39,817,477	38,685,852
Restatements	150,738	-	-	-	-
<b>Fund Balances, End of Year</b>	<b>\$26,686,085</b>	<b>\$32,610,901</b>	<b>\$39,817,477</b>	<b>\$38,685,852</b>	<b>\$40,381,761</b>

Source: City of Manhattan Beach

**TABLE 5**  
**City of Manhattan Beach**  
**General Fund Balance Sheet**  
**For the Fiscal Years ended June 30, 2020 through June 30, 2024**

	2020	2021	2022	2023	2024
<b>Assets:</b>					
Pooled cash and investments	\$26,563,191	\$29,385,640	\$37,868,891	\$39,614,299	\$39,683,833
Receivables:					
Accounts	1,130,113	1,689,290	595,533	433,711	1,288,731
Taxes	2,307,664	3,208,234	4,658,761	4,115,521	3,866,864
Notes and loans	-	-	-	98,321	49,088
Accrued interest	695,674	387,814	447,369	822,356	890,344
Leases	-	-	24,988,459	23,843,400	22,922,368
Grants	-	-	-	-	184,450
Prepaid costs	50,207	1,978	13,585	646,818	56,494
Due from other funds	-	352,401	-	-	-
Due from other governments	384,546	5,071,571	4,517,215	538,236	283,899
Due from OPEB Trust Fund	309,945	637,039	362,642	726,360	361,752
Inventories	22,915	4,285	6,010	3,510	2,099
Restricted assets:					
Cash and investments	1,365,844	1,820,529	1,603,036	2,859,803	3,599,985
Cash and investments with fiscal agents	86,200	84,089	1,113,451	1,102,123	1,083,533
<b>Total Assets</b>	<b>\$32,916,299</b>	<b>\$42,642,870</b>	<b>\$76,174,952</b>	<b>\$74,804,458</b>	<b>\$74,273,440</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$1,906,444	\$2,307,448	\$1,868,160	\$3,399,970	\$1,771,230
Accrued payables	94,268	1,240,170	2,570,720	1,694,537	2,426,377
Accrued payroll	607,299	747,601	962,139	1,198,611	1,266,192
Payroll liabilities	1,007,553	0	0	0	0
Unearned revenues	46,420	886,733	1,289,032	1,507,309	1,613,833
Deposits payable	2,009,612	4,453,356	4,763,470	4,488,802	4,162,433
Interest payable	86,200	81,550	-	-	-
<b>Total Liabilities</b>	<b>\$5,757,796</b>	<b>\$9,716,858</b>	<b>\$11,453,521</b>	<b>\$12,289,229</b>	<b>\$11,240,065</b>
<b>Deferred Inflow of Resources:</b>					
Unavailable revenues	472,418	315,111	115,559	365,420	271,105
Lease-related	-	-	24,788,395	23,463,957	22,380,509
<b>Total Deferred Inflows of Resources</b>	<b>\$472,418</b>	<b>\$315,111</b>	<b>\$24,903,954</b>	<b>\$23,829,377</b>	<b>\$22,651,614</b>
<b>Fund Balances:</b>					
<b>Nonspendable</b>	73,122	6,263	219,659	1,128,092	649,540
<b>Restricted</b>	1,365,844	1,820,529	2,716,487	2,823,886	4,683,518
<b>Committed</b>					
Assigned to City retirement plans	130,114	92,390	58,007	58,120	57,289
Unassigned	25,117,005	30,691,719	36,823,324	34,675,754	34,991,414
<b>Total Fund Balances</b>	<b>\$26,686,085</b>	<b>\$32,610,901</b>	<b>\$39,817,477</b>	<b>\$38,685,852</b>	<b>\$40,381,761</b>
<b>Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<b>\$32,916,299</b>	<b>\$42,642,870</b>	<b>\$76,174,952</b>	<b>\$74,804,458</b>	<b>\$74,273,440</b>

Source: City of Manhattan Beach

## Sources of General Fund Revenues

Lease Payments are payable from moneys held in the General Fund. The General Fund accounts for resources traditionally associated with governments which are not required to be accounted for in another fund. See “APPENDIX A - CITY OF MANHATTAN BEACH ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2024” herein. See Notes to Financial Statements regarding additional obligations of the City. General Fund revenues for fiscal years ended June 30, 2020 through 2024, are shown below, compiled from the City’s audited financial statements.

The following table shows the City’s General Fund revenues by source:

**TABLE 6**  
**City of Manhattan Beach**  
**General Fund Revenues**

<b>Source:</b>	<i>Fiscal Year Ended June 30</i>				
	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
Property Tax	\$34,002,017	\$36,823,265	\$38,703,861	\$41,049,070	\$43,067,609
Other Taxes					
(Sales, Hotel, Business License)	18,042,366	16,938,737	24,291,290	25,176,755	27,890,305
Licenses and Permits					
(Building, Construction, Film Permits)	2,572,460	3,577,333	3,983,079	3,880,050	4,340,758
Fines					
(Parking Citations, Vehicle Code Fines)	1,925,543	1,443,177	2,358,731	2,612,258	1,953,584
Interest and Rents					
(including Ground Leases)	4,875,067	2,479,805	1,647,617	4,846,538	7,146,781
Received From Other Agencies					
(Vehicle License Fees, Grants)	455,990	5,228,799	4,801,637	453,018	742,758
Service Charges (Plan Check Fees, Parks and Recreation fees, Ambulance Fees)	7,103,286	6,531,768	8,091,082	8,436,582	9,693,124
Interfund Charges					
(Administrative Service Charge)	3,569,704	3,731,425	3,738,160	3,557,607	3,731,200
Miscellaneous	879,335	1,300,483	2,076,767	1,451,967	1,202,262
<b>Total</b>	<u>\$73,425,768</u>	<u>\$78,054,792</u>	<u>\$89,692,124</u>	<u>\$91,463,844</u>	<u>\$99,768,381</u>

Source: City of Manhattan Beach



The following table shows a breakdown of particular tax revenues.

**TABLE 7**  
**City of Manhattan Beach**  
**General Fund Tax Revenues**  
**Fiscal Year Ended June 30, 2024**

<b>Source:</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Property Tax, levied for general purposes	34,002,016	36,823,265	38,703,862	41,049,070	43,067,609
Transient Occupancy Tax <sup>(1)</sup>	3,576,759	2,382,137	5,585,495	6,599,847	8,734,605
Sales Tax	8,407,953	8,038,137	10,473,355	11,176,629	11,066,514
Franchise Taxes	1,167,345	1,189,086	1,217,755	1,296,708	1,435,830
Business License Tax	3,652,228	3,755,555	5,175,626	4,935,627	5,422,317
Other Taxes	1,238,081	1,574,409	1,838,107	1,167,082	1,230,161
Motor Vehicle in Lieu	28,431	0	40,590	36,360	43,815
Homeowner Property Tax	145,181	142,730	143,783	121,345	137,614
<b>Total</b>	<b>\$52,217,994</b>	<b>\$53,905,319</b>	<b>\$63,178,572</b>	<b>\$66,382,668</b>	<b>\$71,138,466</b>

<sup>(1)</sup> Includes Short-Term Rental Transient Occupancy Tax.  
Source: City of Manhattan Beach

On March 5, 2019, the voters in the City approved Measure A at the City's 2019 General Municipal Election. Measure A authorized the City Council to increase the City's transient occupancy tax ("TOT") rate by up to 4% to fund essential City services including police patrols and crime prevention; fire and paramedic emergency response; and other general City services. The City Council initially approved increasing the rate from 10% to 12% and scheduled the implementation to take effect on May 1, 2020. However, in response to the COVID-19 pandemic, the City Council deferred the escalation of the City's TOT rate to 12% until July 1, 2020.

In April 2023, the City Council approved a rate increase from 12% to 14% to align the City's TOT rate with other nearby cities and help offset the cost of recent public safety enhancements. After this rate increase went into effect on July 1, 2023, the City's TOT from hotels/motels generated an additional \$1.3 million General Fund revenues.

Short-term rentals through online platforms such as AirBNB and VRBO have been allowable in the City's Coastal Zone since April 2022. The City now has about 170 active licensed rentals operating within the Coastal Zone that generate about \$1.4 million in additional General Fund TOT revenues.

**City Assessed Valuation.** The County assesses property values and collects and distributes secured and unsecured property taxes to the County, cities, school districts- and other special districts within the County area. The table below provides a listing of the assessed valuations on taxable property in the City.

**TABLE 8**  
**City of Manhattan Beach**  
**Total Assessed Value**

<i><b>Fiscal Year Ended June 30</b></i>	<i><b>Residential Property</b></i>	<i><b>Commercial Property</b></i>	<i><b>Industrial Property</b></i>	<i><b>Other Property</b></i>	<i><b>Total Assessed Value</b></i>
2015	\$12,500,544,975	\$959,518,199	\$281,151,363	\$791,941,297	\$14,533,155,834
2016	13,616,966,542	1,012,547,408	293,730,521	765,998,032	15,689,242,503
2017	14,551,610,225	1,105,261,590	298,209,901	824,621,493	16,779,703,209
2018	15,552,647,698	1,171,070,581	305,302,530	888,775,373	17,917,796,182
2019	16,543,536,695	1,199,124,711	311,408,568	950,206,556	19,004,276,530
2020	17,637,547,816	1,240,422,307	317,636,726	956,183,073	20,151,789,922
2021	18,698,835,090	1,320,682,796	495,751,708	1,049,831,342	21,565,100,936
2022	19,500,686,332	1,422,052,532	502,026,905	1,093,445,055	22,518,210,824
2023	20,859,717,575	1,529,657,039	513,911,783	1,109,943,068	24,013,229,465
2024	21,988,752,211	1,642,761,250	523,646,184	1,121,769,952	25,276,929,597

Note: Secured property is property secured by the property as opposed to the property's owner. Unsecured property is property secured by the property owner. Secured property generally includes land and improvements. Unsecured property generally includes business property, boats, permanent (unlicensed) mobile homes, and other movable, assessable assets.

Source: Los Angeles County Auditor-Controller.

**Tax Levies and Delinquencies.** The basic tax rate for all taxing entities within a particular tax code area is \$1 per \$100 of assessed valuation in accordance with Article XIII A of the State Constitution. To this may be added whatever tax rates are necessary to meet debt service on indebtedness approved by the voters.

The City uses the services of the County for the assessment and collection of taxes. City taxes are collected at the same time and on the same tax rolls as are County, school district and special district taxes.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." Taxes on the secured roll are payable in two installments on November 1 and February 1 of each fiscal year and become delinquent after December 10 and April 10 respectively. Taxes on unsecured property are assessed and payable March 1 and become delinquent on August 31 in the next fiscal year. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1-1/2% of the delinquent taxes per month begins to accrue beginning November 1 of the fiscal year.

Commencing in June 1982, a 10% penalty was added to delinquent taxes which have been levied on property on the secured roll (a 6% penalty is charged on property taxes that became delinquent prior to June 1982). In addition, property on the secured roll with respect to which taxes are delinquent is declared to -be tax-defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more the tax-defaulted property is declared to be subject to the County Tax Collector's power of sale and may be subsequently sold within two years by the County Tax Collector.

*Major Property Taxpayers.* The following table sets forth a list of the top ten principal taxpayers within the City as of June 30, 2024, the net valuation of their property and the percentage which such taxpayer's property represents of the total assessed valuation of the taxable property in the City.

**TABLE 9**  
**City of Manhattan Beach**  
**Principal Property Taxpayers**  
**Fiscal Year 2023-24**

<i><b>Taxpayer</b></i>	<i><b>Category</b></i>	<i><b>Net Taxable Value</b></i>	<i><b>Percentage of Total Net Taxable Valuation</b></i>
MBS Media Campus	Industrial	\$359,649,241	1.44%
Northrop Grumman Systems Corp	Industrial	305,119,240	1.22
RREEF America REIT II Corp	Commercial	238,505,771	0.96
ONNI Manhattan Towers LP	Commercial	128,745,053	0.52
Manhattan Beach Hotel Owner LLC	Commercial	120,541,399	0.48
Manhattan Beach Suites	Commercial	61,126,513	0.25
Skechers USA Retail LLC	Commercial	58,567,817	0.23
Coastal Market Plaza LLC	Commercial	55,775,309	0.22
Michael Greenberg Trust	Commercial	50,484,916	0.2
Bay Club Manhattan Beach LLC	Commercial	50,023,096	0.2
Top Ten Total		<u>\$1,428,538,355</u>	<u>5.73%</u>
City Total Net Taxable Value		<u>\$24,938,781,033</u>	

Source: County of Los Angeles

### **Construction**

The following table shows residential and commercial construction activity in the City for each of the last five fiscal years:

**TABLE 10**  
**City of Manhattan Beach**  
**Construction Permits**  
**(Fiscal Years 2021-2025)**

<i><b>Fiscal Year</b></i>	<i><b>Residential Construction Number of Permits</b></i>	<i><b>Commercial Construction Number of Permits</b></i>
2021	1,413	501
2022	1,554	512
2023	1,587	401
2024	1,412	308
2025*	1,176	278

\* 2025 permit totals as of June 2, 2025

Source: City of Manhattan Beach Community Development Department.

### **Taxable Transactions**

Revenues from taxable sales have ebbed and flowed with the economy over the last five years. Representing various major industry groups and geographic locations within the City, about 20 businesses generate approximately 50% of the City's sales tax revenues. The most consistent revenue generating business

types include casual dining and fine dining restaurants, a motor vehicle dealer, and a variety of retail stores, including electronics, apparel, general merchandise and discount department stores. The following table sets forth the taxable sales in the City for the last five calendar years for which data is available.

**TABLE 11**  
**City of Manhattan Beach**  
**Taxable Sales**  
**(Calendar Years 2019-2023)**  
**(In Thousands)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Apparel Stores	\$78,443	\$65,209	\$94,918	\$99,431	\$104,048
General Merchandise*	96,939	-	-	-	-
Food Stores	36,633	41,294	40,190	41,485	43,261
Eating and Drinking Establishments	206,532	139,108	205,943	256,112	268,495
Building Materials	4,083	3,760	4,089	4,017	3,812
Service Stations	36,052	18,438	29,299	37,477	33,059
Other Retail Group	303,700	298,660	370,379	410,685	408,104
All Other Outlets	184,773	194,393	206,306	237,583	249,652
<b>Total</b>	<b>\$947,155</b>	<b>\$760,862</b>	<b>\$951,124</b>	<b>\$1,086,790</b>	<b>\$1,110,431</b>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%

\* Since Calendar Year 2020, this category has not been reported separately and has been included in "All Other Outlets."

Source: City of Manhattan Beach – Annual Comprehensive Financial Report (ACFR)

### Major Employers

The following table shows major employers in the City as of April 30, 2025.

**TABLE 12**  
**City of Manhattan Beach**  
**Major Employers**

	<b>Number of Employees</b>	<b>Percentage of City Employment</b>
Northrop Grumman Systems Corp.	2,657	18.38%
Manhattan Beach Unified School District	679	4.70
Skechers USA Inc (225 S Sepulveda Blvd.)	593	4.10
Target Stores T199 Target Corp	405	2.80
City of Manhattan Beach	354	2.45
Skechers USA Inc (330 Sepulveda Blvd.)	314	2.17
Joey Manhattan Beach	180	1.25
Westdrift Hotel	180	1.25
Manhattan Country Club	175	1.21
Recreational Equipment Inc.-REI	170	1.18
<b>Total</b>	<b>5,707</b>	<b>39.48%</b>

Source: City of Manhattan Beach

## Direct and Overlapping Bonded Debt

The Debt Report includes only such information as has been reported by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy.

**TABLE 13**  
**City of Manhattan Beach**  
**Direct and Overlapping Debt**  
**(As of July 1, 2025)**

2024-25 Assessed Valuation: \$26,227,077,038

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/25</u>	
Metropolitan Water District	0.644%	\$ 110,478	
El Camino Community College District	16.594	79,658,728	
Manhattan Beach Unified School District	99.999	194,197,763	
City of Manhattan Beach 1915 Act Bonds	100.	<u>12,835,000</u>	
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$286,801,969</b>	
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	1.248%	\$37,897,235	
Los Angeles County Superintendent of Schools Certificates of Participation	1.248	29,101	
<b>City of Manhattan Beach General Fund Obligations</b>	<b>100.</b>	<b>18,685,000</b>	(1)
<b>City of Manhattan Beach Pension Obligation Bonds</b>	<b>100.</b>	<b><u>77,700,000</u></b>	
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$134,311,336</b>	
 <b>COMBINED TOTAL DEBT</b>		<b>\$421,113,305</b>	<b>(2)</b>

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2024-25 Assessed Valuation:

**Combined Direct Debt (\$96,385,000) ..... 0.37%**  
 Total Overlapping Tax and Assessment Debt ..... 1.09%  
 Combined Total Debt ..... 1.61%

Source: CalMuni

## Outstanding General Fund Debt and Lease Obligations

The City currently has outstanding general fund debt and lease obligations described below. The City has never defaulted on the payment, principal of, or interest on any of its indebtedness.

In July 2012, the City executed and delivered \$12,975,000 Certificates of Participation (Metlox and Water/Wastewater Refunding) Series 2012 to refinance certificates previously issued to finance costs of the Metlox development in the City as well as certain capital costs of the City's wastewater system. The 2012 Refunding Certificates have interest rates ranging from 2% to 4% and mature in 2032. The annual debt service payment for the Metlox Refunding Certificates is approximately \$649,000 and the annual debt service payment for the Water/Wastewater Refunding Certificates is approximately \$251,125.

In February 2013, the City issued \$10,510,000 of Certificates of Participation, Series 2013, to advance refund the 2004 Police and Fire Facility Certificates of Participation ("2004 Certificates"). Proceeds of the 2004 Certificates issue were used to pay the costs of a new \$41 million combined Police and Fire safety facility. The 2013 Refunding Certificates have interest rates ranging from 2% to 4% and mature in 2032. The annual debt service payment is approximately \$759,063.

In December 2016, the City issued \$5,905,000 Certificates of Participation (Marine Field Refunding) Series 2016 to refinance the cost of the City's Marine Sports Field. The 2016 Refunding Certificates have interest rates ranging from 3% to 4% and mature in 2033. The annual lease payment for the 2016 Refunding Certificates is approximately \$471,300.

In May 2021, the City issued \$91,275,000 principal amount of its 2021 Taxable Pension Obligation Bonds ("2021 POBs"). The 2021 POBs were issued to refinance the City's outstanding unfunded actuarial liability to CalPERs as of the issuance date of the 2021 POBs. See "City Employees Retirement Program." Debt service with respect to the 2021 POBs is approximately \$5.5 million annually. The 2021 POBs mature in Fiscal Year 2042-43.

In August 2021, the City issued \$7,440,000 Certificates of Participation (Fire Station #2) Series 2021 (the "Fire Station #2 COPs") to pay a portion of the costs of constructing and equipping a fire station and related improvements. The Fire Station #2 COPs have interest rates ranging from 3% to 5% and mature in 2051. The annual lease payment with respect to the Fire Station #2 COPs is approximately \$400,375.

Following is a summary of the principal amounts of the City's outstanding long-term obligations payable from the General Fund as of August 1, 2025.

**TABLE 14**  
**Outstanding Principal Amounts of**  
**Long Term Obligations**  
**(As of August 1, 2025)**

2013 Police & Fire Facility Refunding Certificates	\$ 4,355,000
2016 Marine Ave Certificates	3,370,000
2021 POBs	77,700,000
2021 Fire Station #2 Certificates	6,935,000
2021 Metlox Parking/Water Wastewater Refunding Certificates	4,025,000
Total	\$ 96,385,000

*Non-General Fund Obligations.* The City has issued several series of bonds to finance the undergrounding of utility wires and related equipment. These voter-approved bonds are secured solely by assessments levies on the particular districts (generally consisting of 200-300 properties) in which the undergrounding occurred. These bonds are not payable from the City's General Fund, or from any other funds of the City.

## Investment of City Funds

The City and its component units are generally authorized under its investment policy and Section 53601 of the California Government Code, bond indentures and local resolutions to invest in demand deposits with financial institutions; savings accounts; certificates of deposit; U.S. Treasury securities; federal agency securities; State of California notes or bonds; repurchase agreements; medium term corporate notes; bankers' acceptances; commercial paper; and the Local Agency Investment Fund of the State of California. The City's investment policy allows for the purchase of most of the investment vehicles authorized under Section 53601 of the California Government Code.

The City and its component units have also established guidelines for security purchases with investment limitations as follows: Bankers acceptances may not exceed 20% of the City's surplus money. Negotiable certificates of deposits may not exceed 20% of the City's surplus money. Commercial paper may not exceed 270 days maturity nor exceed 15% of the City's surplus funds. Medium term corporate notes may not exceed 20% of the City's surplus funds, cannot currently exceed a five-year term and must be made within Moody's Aaa – A1 or Standard & Poor's AAA – A+ rating categories. Investments in repurchase agreements may not exceed a term of one year. The City's investment policy specifically prohibits investments in reverse repurchase agreements and derivatives, including interest rate floaters, range notes and mortgage derived interest-only strips. Further, the policy prohibits investment in California state and local obligations, mutual funds and mortgage pass through securities.

Under the California Government Code, a financial institution is required to secure deposits made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of May 31, 2025, 60% of the portfolio consisted of federal agency notes and U.S. Treasury securities, 20% in high grade corporate notes, and 20% in cash or invested in liquid state investment pools. The average maturity of the portfolio was 582 days. As of May 31, 2025 the market value of the City's investment portfolio was \$124,268,826 and the investment portfolio's book value was \$124,180,836. The following table summarizes certain information relating to the City's investment portfolio as of May 31, 2025:

**TABLE 15**  
**City of Manhattan Beach**  
**Investment Portfolio Summary**  
**(as of May 31, 2025)**

<i>Type of Investment</i>	<i>Book Value</i>
Cash	\$21,386,062
Local Government Fund	20,375,284
US Treasury and Agency Note	61,184,385
Medium Term Note	21,235,105
Total	\$124,180,836

The portfolio represents cash and investments across several funds. As of May 31, 2025, the General Fund represents approximately 22.8% of the total portfolio and the general Capital Improvement Projects Fund approximately 8.9%; the Underground Assessment District Funds approximately 1.8%; the Insurance Reserve Fund approximately 12.5%; the Water and Wastewater Utility Funds approximately 22.7%; the Stormwater and Measure W Funds approximately 5.1%; the Parking, County Parking Lots and State Pier and Parking Lot Funds approximately 5.9%; the Section 115 Trust Fund approximately 3.3%; and various Street and Road Funds (e.g. Gas Tax, Prop A, Prop C, Measure R, and Measure M) together total about 9.6%. The remaining funds comprise 7.4% of the total portfolio.

## City Employees Retirement Program

The City contributes to the California Public Employees Retirement System (“CalPERS”), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. All permanent City employees are eligible to participate in PERS. Participants in the plan vest after 5 years of employment. The City has a two-tiered (“Classic” and “New”) retirement plan with benefits varying by plan. All plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

For “Classic” employees, the City of Manhattan Beach has three defined benefit plans: Police (“3% at 50”), Fire (“3% at 55”) and Miscellaneous (“2% at 55”). Employees receive annual retirement benefits calculated based on age at retirement, years of membership service and the amount of earnings based on the highest consecutive 12 months average.

“New” members are defined by the California Public Employees’ Pension Reform Act (“PEPRA”), which took effect in January 2013. “New” members to the safety service (Police and Fire) are subject to a 2.7% at 57 formula, while non-safety “New” members receive a 2% at 62 plan. Employees receive annual retirement benefits calculated based on age at retirement, years of membership service and the amount of earnings based on the highest annual average during a consecutive three-year period. Mandatory employee pension contributions are also included in the formulae for the “New” employee tier. See note 11 in Appendix A – “CITY OF MANHATTAN BEACH ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2024”

Effective during fiscal year 2012-2013, City employees commenced payment of the employee portion of pension contributions, which were previously paid by the City on the employees’ behalf. Additionally, “Classic” members of the Firefighters Association, Police Officers’ Association and Police Management Association commenced cost sharing 3% of the Employer portion of the pension contribution (the cost sharing contributions are reflected in the Employer payments in Table 14).

See Note 11 in Appendix A – “CITY OF MANHATTAN BEACH ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2024” for number of participants currently in the City’s CALPERS retirement plans, as well additional information relating to benefits provided. Note 11 also describes the City’s net pension liability, calculated in accordance with the requirements of Governmental Accounting Standards Board Statement No. 75.

*City Contributions.* The following table shows City contributions to PERS for Fiscal Years 2020-21 through 2023-24, as well as expected contributions for Fiscal Year 2024-25.



**TABLE 16**  
**Historical Payments to PERS**  
**Fiscal Year Ending June 30**

	<u>2021*</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u> <u>(Estimated)</u>
<u>Police</u>					
Employee	\$1,091,691	\$1,072,825	\$1,179,367	\$1,229,040	\$1,116,836
Employer	<u>46,911,464</u>	<u>1,829,123</u>	<u>1,906,324</u>	<u>2,144,821</u>	<u>2,240,605</u>
Subtotal	\$48,003,155	\$3,155,101	\$3,085,691	\$3,373,861	\$3,357,441
<u>Fire</u>					
Employee	\$539,502	\$564,814	\$612,592	\$695,425	\$667,775
Employer	<u>21,877,491</u>	<u>984,670</u>	<u>1,068,982</u>	<u>1,281,366</u>	<u>1,202,455</u>
Subtotal	\$22,416,993	\$1,597,561	\$1,681,574	\$1,976,791	\$1,870,230
<u>Misc</u>					
Employee	\$1,221,230	\$1,252,103	\$1,465,683	\$1,639,064	\$1,685,830
Employer	<u>31,972,316</u>	<u>1,645,419</u>	<u>1,811,010</u>	<u>2,192,484</u>	<u>2,313,656</u>
Subtotal	<u>33,193,546</u>	<u>2,970,294</u>	<u>3,276,693</u>	<u>3,831,548</u>	<u>3,999,486</u>
Total	\$103,613,693	\$7,722,956	\$8,043,958	\$9,182,200	\$9,227,157

\* The large payments to CalPERS in Fiscal Year 2021 are due to the issuance of pension obligation bonds.

Note: Includes both "Classic" and "New/PEPRA" tiers.

Source: City of Manhattan Beach

These costs have significantly increased in the past several years due to a variety of reasons, including the investment performance of CalPERS being less than the actuarially assumed rate. CalPERS recently began implementing risk mitigation strategies that will result in large increases in annual pension costs to public agencies, due to changes in actuarial smoothing and mortality assumptions to help ensure the pension plans are financially sound and that they become fully funded. CalPERS currently has an expected investment rate of 6.8% annually. Actual contribution rates will depend on a variety of factors, including investment return and changes in actuarial assumptions.

*Pension Obligation Bonds.* In May 2021, the City issued \$91,275,000 principal amount of its 2021 Taxable Pension Obligation Bonds ("2021 POBs"). The 2021 POBs were issued to refinance the City's outstanding unfunded actuarial liability to CalPERS as of the issuance date of the 2021 POBs. See "City Employees Retirement Program." Debt service with respect to the 2021 POBs is approximately \$5.5 million annually. The 2021 POBs mature in Fiscal Year 2042-43.

*Funded Status and Funding Progress.* The following tables show the City's historical funding progression for Fiscal Years 2018-19 through 2022-23, as of a June 30 actuarial valuation date. The information in the following tables relating to the City's unfunded liability reflects the issuance of the 2021 POBs and payment to CalPERS of the then outstanding unfunded liability as of May 12, 2021. Since then, CalPERS did not meet investment returns in fiscal years ending 2022 and 2023 which resulted in new unfunded liabilities.

Police Plans. The funding history below for the Police Plans shows the plans' actuarial accrued liability, share of the pool's market value of assets, share of the pool's unfunded liability, funded ratio, and annual covered payroll.

**TABLE 17A**  
**Funding History – Classic Police Plan**

<b>Valuation Date</b>	<b>Accrued Liability</b>	<b>Share of Pool's Market Value of Assets</b>	<b>Plan's Share of Pool's Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>
6/30/2019	\$144,642,132	\$102,702,043	\$41,940,089	71.0%	\$7,156,147
6/30/2020	147,740,834	105,555,252	42,185,582	71.4	7,201,991
6/30/2021	150,721,451	174,751,330	(24,029,879)	115.9	6,827,606
6/30/2022	157,922,465	153,142,605	4,779,860	97.0	6,795,901
6/30/2023	167,702,801	159,122,812	8,579,989	94.9	6,461,342

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2023.

**TABLE 17B**  
**Funding History – PEPR Police Plan**

<b>Valuation Date</b>	<b>Accrued Liability</b>	<b>Share of Pool's Market Value of Assets</b>	<b>Plan's Share of Pool's Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>
6/30/2019	\$667,743	\$611,852	\$55,891	91.6%	\$1,051,926
6/30/2020	681,519	628,769	52,750	92.3	1,753,694
6/30/2021	1,529,219	1,773,026	(243,807)	115.9	1,977,445
6/30/2022	1,574,919	1,527,250	47,669	97.0	2,771,676
6/30/2023	2,043,122	1,938,592	104,530	94.9	3,321,523

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2023.

Fire Plans. The funding history below shows the Fire Plans; actuarial accrued liability, share of the pool's market value of assets, share of the pool's unfunded liability, funded ratio, and annual covered payroll.

**TABLE 17C**  
**Funding History – Classic Fire Plan**

<b>Valuation Date</b>	<b>Accrued Liability</b>	<b>Share of Pool's Market Value of Assets</b>	<b>Plan's Share of Pool's Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>
6/30/2019	\$69,653,716	\$50,184,608	\$19,469,108	72.0%	\$4,978,563
6/30/2020	71,145,582	51,578,979	19,566,603	72.5	4,485,138
6/30/2021	74,496,392	85,680,210	(11,183,818)	115.0	4,470,405
6/30/2022	77,130,301	74,112,966	3,017,335	96.1	4,725,335
6/30/2023	79,869,673	75,220,665	4,649,008	94.2	4,932,321

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2023.

**TABLE 17D**  
**Funding History – PEPRA Fire**

<b>Valuation Date</b>	<b>Accrued Liability</b>	<b>Share of Pool's Market Value of Assets</b>	<b>Plan's Share of Pool's Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>
6/30/2019	\$96,527	\$89,587	\$6,940	92.8%	\$125,183
6/30/2020	99,130	92,413	6717	93.2	129,095
6/30/2021	179,511	206,460	(26,949)	115.0	375,809
6/30/2022	168,753	162,152	6,601	96.1	478,853
6/30/2023	255,400	240,534	14,866	94.2	845,009

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2023.

Miscellaneous Plan. The table below shows the recent history of the actuarial accrued liability, the market value of assets, the funded ratio and the annual covered payroll.

**TABLE 17E**  
**Funding History – Miscellaneous Plan**

<b>Valuation Date</b>	<b>Accrued Liability</b>	<b>Market Value of Assets</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>
6/30/2019	\$118,377,736	\$90,121,723	\$28,256,013	76.1%	\$17,004,416
6/30/2020	122,455,775	93,984,083	28,471,692	76.7	17,104,103
6/30/2021	127,485,419	143,889,716	(16,404,297)	112.9	17,630,265
6/30/2022	137,374,490	129,607,994	7,766,546	94.3	20,718,174
6/30/2023	145,262,433	134,468,965	10,793,468	92.6	22,163,623

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2023.

### **Unfunded Pension Liability Policy**

On March 2, 2021, in connection with the issuance of the 2021 Pension Obligations Bonds, the City Council adopted an Unfunded Pension Liability Policy (the “Policy”) to provide guidance on the development and adoption of a funding plan for any unfunded accrued liabilities that may arise in the future. The City’s overall objective as set forth in the Policy is to fund its obligation near 100% of the total accrued liability and no less than 80%, whenever possible. The Policy provides flexibility in the allocation of savings realized from the issuance of the 2021 POBs. The City Council has the discretion to allocate the savings between future unfunded liability costs, future capital improvements, infrastructure needs and/or debt service. The Policy provides that,

each year during the budget process, a recommendation for the precise savings allocation for the next fiscal year will be determined based on CalPERS' latest year-end investment return. If CalPERS' fiscal year-end investment return is below its benchmark, the City will allocate a higher portion of savings to fund future UAL costs. Alternatively, if CalPERS' Unfunded Pension Liability Policy, fiscal year-end investment return is higher than its benchmark, then the City may allocate more of the budgetary savings to offset General Fund operational costs. The Policy may be revised from time to time by the City Council at its discretion.

## **OPEB**

The City also provides certain other post-employment benefits ("OPEBs") to employees, generally consisting of \$250 to \$400 per month paid directly to the employee to be used towards the health insurance premiums. Employees who retire from employment with the City and meet service requirements ranging from 5 to 20 years are eligible. The plan and payment amounts are established by Memoranda of Understanding with the applicable employee bargaining units, or the City's Personnel Rules and Regulations, and may be amended by agreement between the City and the bargaining units/employees. In Fiscal Year 2022-23, the City paid \$159,716 to retirees.

The City of Manhattan Beach contracts with PERS to participate in the Public Employee Medical and Hospital Care Act ("PEMHCA"). Under this contract, both active employees and retirees are provided access to health insurance. The City makes a contribution to retirees who elect to purchase insurance through PERS. This contribution is mandated by Assembly Bill 2544 and is adjusted annually by PERS. For Fiscal Year 2022-23, the City contribution paid to PERS for PEMCHA was \$194,365. For active employees, the City paid \$4,762,760 for medical insurance costs.

The plan is financed via actuarially determined contributions deposited into the California Employees' Retirement Benefit Trust ("CERBT") managed by PERS. City payments to employees and PERS will be reimbursed by payments from CERBT. For fiscal year 2023, the City paid \$101,072 for retiree medical benefits and was reimbursed \$361,752 from CERBT.

In order to comply with Government Accounting Standards Board Statement 75, the City regularly conducts an actuarial valuation of its OPEB obligations to determine its Net OPEB Liability. As described in Note 13 in in "APPENDIX A - CITY OF MANHATTAN BEACH ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2024," the City's Net OPEB liability as of June 30, 2023 (the last year for which the Net OPEB liability is available) was approximately \$3.5 million. The decrease from the June 30, 2022 Net OPEB liability of approximately \$7.2 million was primarily due to a change in the accounting discount rate from 4.08% to 4.43%.

For a detailed description of the City's pension and OPEB obligations, see Note 13 in "APPENDIX A - CITY OF MANHATTAN BEACH ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2024."

## **City Insurance Program**

The City is subject to various risks of loss related to employee injury or illness, torts, property damage, employer liability, errors and omissions, and natural disasters.

The City is self-insured for its workers' compensation and liability claims and maintains excess insurance through a Joint Powers Authority (JPA): Public Risk Innovation, Solutions, and Management (PRISM). PRISM is a public entity risk management and insurance pool. Its membership includes counties, cities, as well as educational organizations, special districts, housing authorities, fire districts, and other JPA's.

The City's self-insured retention (SIR) amount for its workers' compensation claims is \$750,000. Coverage in excess of the SIR amount and up to the statutory limit is maintained through PRISM. The City's SIR amount for its liability claims is \$500,000. Excess liability is maintained through PRISM for coverage up to \$25,000,000. A third party administers the workers' compensation and liability claims. Claims expenditures

and liabilities are reported when a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2024, the amount of these liabilities was \$19,717,808. The amount represents an estimate of \$12,143,308 for reported claims through June 30, 2024, and \$7,574,500 of estimated incurred but not reported claims.

The City also maintains cyber liability insurance, crime coverage, and property insurance, which includes coverage for the perils of flood, earthquake, and auto physical damage.

For information concerning the City's insurance program, see Note 15 in "APPENDIX A - CITY OF MANHATTAN BEACH ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2024."

### **Community Facilities**

There are over 200 acres of parks and recreation facilities in the City of Manhattan Beach, including 11 parks, 7 community centers, a historic pier, and over 40 acres of recreational beach area along the coast of the Pacific Ocean. Additional recreational amenities include 22 sports fields, 18 tennis courts, 9 pickleball courts, 8 basketball courts, 107 beach volleyball courts, ten playgrounds, multiple walking trails and bike paths, a 9-hole golf course, and a community pool. The County of Los Angeles manages the beach and one public library. The Parks and Recreation Department provides sports programs, fitness classes, afterschool programs, older adult activities, art exhibits, and special community events for all ages in addition to overseeing the City's parks and recreation facilities.

### **Public Utilities**

Electrical service is provided by Southern California Edison; Southern California Gas provides natural gas. The City is served by Frontier and Spectrum for communications and video services.

Water and wastewater services are provided by the City. The City's water system currently consists of four pump stations, two storage reservoirs, one elevated storage tank, two groundwater supply wells and approximately 112 miles of water distribution pipelines. The City wastewater system includes gravity pipelines, manholes, lift (pump) stations and force mains and serves the majority of the area within the City.

### **Stormwater Quality Compliance-Related Operational and Capital Costs**

To comply with the applicable Regional Stormwater Permit, the City must implement programs and projects to address stormwater pollution and achieve water quality objectives for stormwater runoff discharges from the municipal storm drain system to the Santa Monica Bay and the Dominguez Channel. The City's multi-pronged approach for meeting these water quality objectives consists of 1) implementing stormwater programs aimed at controlling sources of pollutants within its jurisdiction consistent with the requirements in the Regional Stormwater Permit, 2) constructing, operating and maintaining capital projects to capture and treat stormwater, 3) preventing the discharge of trash from its storm drain system through certified full capture systems, and 4) conducting monitoring to demonstrate the effectiveness of these measures. There are both operational and capital costs associated with implementing these stormwater programs and projects.

Based on a report prepared by an outside consultant, the City's ongoing annual operational costs for implementing its stormwater programs, including its share of annual monitoring costs was estimated to be approximately \$1.64 million per year based on Fiscal Year 2023-24 dollars. Estimated capital costs for constructing stormwater capture and treatment projects and trash capture devices were projected to be \$34.6 million over the next 8 years Year 2031-32, and annualized operating and maintenance costs for the capital projects were estimated in 2024 as roughly \$208,000 over the life of the capital projects.

In the City's most recent Annual Stormwater Report, which was prepared in December 2024 to summarize its stormwater program implementation activities during Fiscal Year 2023-24, the City's costs to implement pollutant source control programs totaled approximately \$1.6 million. This total cost includes

personnel time for managing the stormwater program and attending watershed meetings, implementation of the six minimum control measure programs required by the Regional Stormwater Permit, and enhanced control measures for reducing pollution sources such as the annual restaurant inspection program.

The City also participates in the Beach Cities Coordinated Integrated Monitoring Program (“CIMP”), along with the cities of Hermosa Beach, Redondo Beach, Torrance and the Los Angeles County Flood Control District. The Beach Cities CIMP is designed to generate information on the effectiveness of stormwater programs and projects and demonstrate compliance with the numeric water quality limits in the Regional Stormwater Permit. The City of Manhattan Beach’s share of the costs for this monitoring in Fiscal Year 2023-24 were \$39,380 as reported in its Fiscal Year 2023-24 Annual Stormwater Report.

Since 2015, the City has participated in the Beach Cities Watershed Management Program (WMP) in cooperation with the cities of Hermosa Beach, Redondo Beach, Torrance and the Los Angeles County Flood Control District. The WMP is a planning document approved by the LA Water Board that lays out a framework of actions that, taken together, will achieve the water quality objectives in the Regional Stormwater Permit. The foundation of the Beach Cities WMP is a list of capital projects to achieve water quality objectives in the Santa Monica Bay and Dominguez Channel. The City is responsible for design, construction and operation of certain specific projects located within its jurisdiction. The estimated total construction cost for capital projects the City is responsible for is approximately \$34.8M over the next eight (8) years, with annualized O&M for these projects estimated to cost \$208,000.

The City’s available funding sources for stormwater projects and programs include a Storm Drain Assessment Fee that was recently increased through a Proposition 218 process that went into effect in Fiscal Year 2024-2025. Additional storm drain funding is available through Measure W Safe Clean Water Funds as well as grants and other regional funding sources.

### **Recent Economic Activity**

Recent economic activity in the City includes the expansion of the Skechers headquarters and the renovation and expansion of the Manhattan Village Shopping Center.

Other ongoing projects include:

- Highrose El Porto – a 4-story, 96,217 square foot, multifamily residential building currently under construction with 79 rental units (73 market rate and six very low income), with two floors of subterranean parking.. This project is under construction.
- 2301 N. Sepulveda Blvd – a 7-story, 31,962 square foot, multifamily residential building with 38 rental units over five levels (27 market rate, 3 moderate income, and 8 low income) and two levels of above-ground parking and one level of subterranean parking. The project is currently in the process of procuring entitlements.

In addition, two significant housing projects are currently in preliminary review. Both would be located on Sepulveda Boulevard (sometimes referred to as Pacific Coast Highway), one potentially with 285 units and the other potentially with 48 units.

### **Climate Resiliency Efforts**

The City has been committed to reducing GHGs and continues to take action. Though the City (1) already regularly reports to the Carbon Disclosure Project, (2) is part of the bi-partisan Compact of Mayors committed to upholding the Paris Climate Agreement, (3) joined Clean Power Alliance and committed to powering Manhattan Beach with 100% renewable energy and (4) enacted several energy efficiency measures, the City recognizes that further actions need to be taken in order to reach the GHG emission targets set by the state of California.

The City has created a Climate Resiliency Program, called Climate Ready Manhattan Beach (“Climate Ready MB”). The Climate Ready MB program includes completing a sea level rise vulnerability assessment; creating a Climate Action and Adaptation Plan; and updating the City’s Local Coastal Program-Land Use Plan, Local Hazard Mitigation Plan, and General Plan - Safety Element. Supported in part by a grant from the California Coastal Commission, Climate Ready MB is intended to help the City be more prepared for climate change, especially during a confluence of events such as sea level rise, extreme high tides, storm surges, heavy precipitation, and coastal erosion. The City's climate hazard analyses include a Multi-Hazard Confluence Modeling on Stormwater Infrastructure Vulnerability Assessment, a Groundwater and Sea Level Rise Vulnerability Analysis. In order to protect the City’s coastline and infrastructure and comply with state mandates, the City is studying its vulnerability to sea level rise; however, the City is also identifying other local climate change impacts that could occur, such as an increase in extreme heat days and more severe storms. In collaboration with the community and stakeholders, the City is developing strategies to increase the community’s resilience to climate change impacts and cut carbon emissions.

Concurrently, the City has formed a collaborative partnership between The Bay Foundation and Los Angeles County Department of Beaches and Harbors on a pilot beach dune enhancement and restoration project to increase the resiliency of the City’s shoreline in the face of sea level rise and coastal storm erosion. The project is currently in the planning and permitting phase with ongoing public engagement activities, and is fully-funded by a grant from the State Coastal Conservancy.

## **RISK FACTORS**

*Prospective purchasers of the 2025 Certificates should carefully consider all possible factors that may affect the ability of the City to make Lease Payments. The 2025 Certificates may not be a suitable investment for all prospective purchasers.*

*The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the 2025 Certificates. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the 2025 Certificates and there can be no assurance that other risk factors will not become material in the future. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.*

### **No Liability of Corporation to the Owners**

Except as expressly provided in the Trust Agreements, the Corporation will not have any obligation or liability to the Owners of the 2025 Certificates with respect to the payment when due of Lease Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Trust Agreements, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreements.

### **Not a Pledge of Taxes**

The obligation of the City to pay the Lease Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments does not constitute a debt or indebtedness of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay Lease Payments from any source of legally available funds (subject to certain exceptions) and the City has covenanted in the Lease Agreement that, for as long as the Leased Premises is available for its use and possession, it will make the necessary annual appropriations within its budgets for all Lease Payments.

## **Additional Obligations of the City**

The City has the capability to enter into other obligations, including Additional Certificates under either of the Trust Agreement, which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds available to make Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Leased Premises, taxes and other governmental charges levied against the Leased Premises) are payable from funds lawfully available to the City. In the event that 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 Lease Payments, as the City Council may determine based on the perceived needs of the City. The same result could occur if because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues.

In addition, the City has significant pension related obligations, which have significantly increased over the last several years and are expected to continue to increase in the future. See "THE CITY – City Employees Retirement Program."

The City also may be required to expend significant funds relating to storm water improvements. See "THE CITY - Potential Costs Related to Storm Water Improvements."

## **Limited Recourse on Default; No Acceleration**

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement and the Trustee is not empowered to sell the Leased Premises and use the proceeds of such sale to redeem the 2025 Certificates or pay debt service thereon. The City will be liable only for Lease Payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against public agencies in the State of California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

## **Abatement**

The obligation of the City under the Lease Agreement to pay Lease Payments is in consideration for the use and possession of the Leased Premises. The obligation of the City to make Lease Payments may be abated in whole or in part if the City does not have full use and possession of the Leased Premises.

As provided in the Lease Agreement, the amount of Lease Payments due under the Lease Agreement shall be abated during any period in which by reason of damage, destruction, eminent domain, if applicable, or otherwise there is substantial interference with the use and possession of the Leased Premises. Such abatement will end with the substantial completion or replacement, repair or reconstruction of the affected Leased Premises. If damage or destruction or eminent domain proceedings, if applicable, with respect to any portion of the Leased Premises result in abatement of the Lease Payments and the resulting Lease Payments (and in the event of damage or destruction, together with rental interruption proceeds, if any), are insufficient to make all payments of principal and interest represented by the 2025 Certificates during the period that the Leased Premises is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made and no remedy is available to the Trustee or the Owners, under the Lease Agreement or Trust Agreements, for nonpayment under such circumstances.

Notwithstanding the foregoing provisions of the Lease Agreement and the Trust Agreements specifying the extent of abatement in the event of the City's failure to have use and possession of the Leased Premises, such provisions may be superseded by operation of law, and, in such event, the resulting



Lease Payments of the City may not be sufficient to pay all of the principal and interest represented by the 2025 Certificates remaining Outstanding. In the event of any abatement of the Lease Payments, each of the 2025A Trust Agreement Lease Payments and the 2025B Trust Agreement Lease Payments shall be abated pro rata, on the basis of the outstanding Principal Components of the 2025A Certificates (and any Additional 2025A Trust Agreement Certificates) and the 2025B Certificates (and any Additional 2025B Trust Agreement Certificates).

### **Risk of Uninsured Loss**

The City covenants under the Lease Agreement to maintain certain insurance policies on the Leased Premises. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—Insurance.” These insurance policies do not cover all types of risk, and the City need not obtain insurance except as available on the open market from reputable insurers. For instance, the City is not required to maintain, and currently does not maintain, earthquake insurance. The Leased Premises could be damaged or destroyed due to earthquake or other casualty for which the Leased Premises is uninsured. Additionally, the Leased Premises could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Lease Payments could occur and could continue indefinitely. There can be no assurance that the providers of the City’s liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Leased Premises will be sufficient to prepay the Certificates.

### **Eminent Domain**

If the Leased Premises is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Leased Premises is taken permanently, or if the Leased Premises or any part thereof is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Lease Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Lease Payments pro rata, on the basis of the outstanding Principal Components of the 2025A Certificates (and any Additional 2025A Trust Agreement Certificates) and the 2025B Certificates (and any Additional 2025B Trust Agreement Certificates), in an amount to be agreed upon by the City and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Premises.

### **Hazardous Substances**

Owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or “Superfund Act,” is the most well-known and widely applicable of these laws. In addition, California laws impose particular requirements with regard to hazardous substances. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substances or conditions on the property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the financial and legal ability of the property owner or operator to develop the affected property or other adjacent property, and the value of the affected property or adjacent property. These possibilities could also affect the ability of the City to have use and possession of the Leased Premises. See “Abatement.”

### **Certain Risks Associated with Sales Tax and Other Local Tax Revenues**

For the past several Fiscal Years, sales tax revenues have been the second largest source of General Fund revenues to the City.

Sales and use tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors. For example, in times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to decline. An economic recession would also be expected to affect hotel occupancy within the City, and consequently, the City's receipt of transient occupancy taxes. See the caption "CITY FINANCIAL INFORMATION—Sales Taxes" and "CITY FINANCIAL INFORMATION—Other Taxes and Other Revenues."

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, including any initiative by City voters under Article XIII C of the California Constitution to repeal the transient occupancy tax, could have an adverse effect on sales tax revenues received by the City. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Finally, many categories of transactions are exempt from the Statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the State Board of Equalization for administering the City's sales tax could also be changed.

### **Assessed Value of Taxable Property**

Property taxes are the largest source of the City's General Fund revenues. Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, wildfire, ongoing drought, toxic dumping, erosion or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. See the captions "—Natural Disasters" and "—Hazardous Substances."

In addition, economic and market forces, such as a downturn in the regional economy, could affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets as has been experienced in the past. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for property taxes. Section 2(b) of Article XIII A of the State Constitution and Section 51 of the State Revenue and Taxation Code, which were adopted pursuant to Proposition 8, which was adopted in 1978, require the County assessor to annually enroll either a property's adjusted base year value (the "Proposition 13 Value") or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 Value on the assessor's roll, such lower value is referred to as the "Proposition 8 Value."

Although the annual increase for a Proposition 13 Value is limited to no more than 2%, the same restriction does not apply to a Proposition 8 Value. The Proposition 8 Value of a property is reviewed annually as of January 1; the current market value must be enrolled as long as the Proposition 8 Value falls below the Proposition 13 Value. Thus, any subsequent increase or decrease in market value is enrolled regardless of any percentage increase or decrease. Only when a current Proposition 8 Value exceeds the Proposition 13 Value attributable to a piece of property (adjusted for inflation) does a county assessor reinstate the Proposition 13 Value.

Decreases in the assessed value of taxable property within the City resulting from a natural disaster or other calamity, economic recession, reclassification by ownership or use or as a result of the implementation of

Proposition 8 all may have an adverse impact on property tax collections by the City, and consequently, the General Fund revenues that are available to make debt service payments on the 2025 Certificates.

### **Increasing Retirement-Related Costs**

The City is required to make contributions to CalPERS and to the OPEB Benefit plan for City employees and retirees. Such obligations are a significant financial obligation of the City and could increase in the future. Actual contribution rates will depend on a variety of factors, including but not limited to actual investment returns and future changes to benefits or actuarial assumptions. There can be no assurances that actual increases in required contributions will not be higher than the amounts which are currently projected by the City. See the captions “THE CITY – City Employee Retirement Program” and “CITY FINANCIAL INFORMATION—Other Post-Employment Benefits.”

### **Dependence on State for Certain Revenues**

A number of the City’s revenues are collected and dispersed by the State (such as sales taxes and the VLF) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State, or if the State otherwise experience financial pressures, there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State’s efforts to address any such related State financial difficulties.

### **No Reserve Fund**

The City has not funded a reserve fund in connection with the issuance of the 2025 Certificates.

### **Litigation**

The City may be or become a party to litigation that has an impact on the General Fund. Although the City maintains certain insurance policies that provide liability coverage under certain circumstances and with respect to certain types of incidents (as discussed under the caption “THE CITY—Risk Management”), the City cannot predict what types of liabilities may arise in the future.

### **Natural Disasters**

The occurrence of any natural disaster in the City, including, without limitation, earthquake, wildfire, drought, high winds, landslide or flood, which results in significant damage within the City or otherwise significantly impacts the economy of the City could materially adversely affect the financial condition of the City. See the caption “THE CITY—Risk Management.”

The occurrence of a natural disaster affecting the City, such as an earthquake or tsunami, could materially adversely affect the financial condition of the City. The City, like much of California, frequently experiences seismic activity. The Inglewood fault line is near the City.

An earthquake along one of the faults in the vicinity of the City, either known or unknown, could cause a number of casualties and extensive property damage, particularly to residential buildings, older wooden or unreinforced masonry buildings and mobile homes. The effects of such an earthquake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction, floods and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake could easily exceed the resources of the City and would require a high level of self-help, coordination and cooperation.

The occurrence of natural disasters in the City could result in substantial damage to the City which, in turn, could substantially affect the City’s economy and reduce General Fund revenues, which could affect the payment of the principal of and interest on the 2025 Certificates. In particular, if a natural disaster were to result

in reduced assessed valuations of property within the City, the amount of property tax revenues (which constitute the City's largest source of General Fund revenues) could be reduced. See the caption "CITY FINANCIAL INFORMATION—Property Taxes."

The City maintains liability insurance and property casualty insurance (including limited earthquake coverage) for City infrastructure. See the caption "THE CITY—Risk Management." However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

### **Climate Change**

As greenhouse gas emissions ("GHGs") continue to accumulate in the atmosphere as a result of human activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the City is difficult to predict, but it could be significant and it could have a material adverse effect on the General Fund by requiring greater expenditures to counteract the effects of climate change or by changing the operations and activities of City residents and business establishments.

### **Cybersecurity**

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. There have been significant cybersecurity incidents affecting municipal agencies.

The City has implemented a multi-level security scheme that provides protections at the network, server, and end user levels. This includes implementing solutions that monitor, block, and alert potential threats at all levels of the City's technology infrastructure. A monitoring, detection, and response service was implemented that evaluates incoming and outgoing network traffic, as well as other key infrastructure components for behaviors that may be indicative of a cyber-attack. The City uses anti-virus and malware to proactively scan and remediate all emails and to protect end user devices. In addition, a continuous cybersecurity training program was adopted to keep end users aware of the ever changing threats. On a regular basis, the City contracts with an external cybersecurity consultant to perform network vulnerability and penetration testing.

### **Limitation on Sources of Revenues**

Although the Lease Payments are payable from all lawfully available funds of the City, the City has no obligation to levy taxes, assessments, fees or charges in order to raise sufficient revenues to pay the Lease Payments. In the event that the City were to choose to do so, the State Constitution contains significant limitations and imposes significant procedural requirements which affect the City's ability to increase City revenues. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

In addition, under the State Constitution, voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. The City is unable to predict whether any such initiatives or referenda might be submitted to or approved by the voters, the nature of such initiatives or referenda or their potential impact on the City and its operations.

### **Economy of City and State**

A deterioration in the level of economic activity in the City, the State or the United States, could have a material adverse effect on the City's general revenues and on the ability of the City to pay principal of and interest on the 2025 Certificates.

## **Bankruptcy**

In addition to the limitation on remedies contained in the Trust Agreements, the rights and remedies provided in the Trust Agreements, Lease Agreement and Site Lease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights. The City is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of 2025 Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the City's debt (a "Plan") without the consent of the Trustee or all of the Owners of 2025 Certificates, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the City could either reject the Lease Agreement or assume the Lease Agreement despite any provision of the Lease Agreement which makes the bankruptcy or insolvency of the City an event of default thereunder. In the event the City rejects the Lease Agreement, the Trustee, on behalf of the Owners of the 2025 Certificates, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the 2025 Certificates. Moreover, such rejection would terminate the Lease Agreement and the City's obligations to make payments thereunder.

The Corporation is a public entity and, like the City, is not subject to the involuntary procedures of the Bankruptcy Code. The Corporation may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Corporation were to become a debtor under the Bankruptcy Code, the Corporation would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Trust Agreements. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Corporation or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Corporation; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have priority of payment superior to that of the Owners of the 2025 Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the Corporation's debt without the consent of the Trustee or all of the Owners of the 2025 Certificates, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable. However, the bankruptcy of the Corporation, and not the City, should not affect the Trustee's rights under the Lease Agreement. The Corporation could still challenge the assignment, and the Trustee and/or the Owners of the 2025 Certificates could be required to litigate these issues in order to protect their interests.

The City and the Corporation may be able, without the consent and over the objection of the Trustee or the Holders of the 2025 Certificates, to alter the priority, interest rate, payment terms, maturity dates, payment sources, covenants, and other terms or provisions of the Trust Agreements, the Lease Agreement and the 2025 Certificates, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the 2025 Certificates while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City or the Corporation that could result in delays or reductions in payments on the 2025 Certificates, or result in losses to the Holders of the 2025 Certificates. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City or

Corporation bankruptcy proceeding could have an adverse effect on the liquidity and value of the 2025 Certificates.

The opinion to be delivered by Bond Counsel concurrently with the execution and delivery of the 2025 Certificates will be subject to various limitations on remedies including those related to bankruptcy and the various other legal opinions to be delivered concurrently with the issuance of the 2025 Certificates will be similarly qualified. See Appendix E. In the event that the City fails to comply with its covenants under the Trust Agreements or fails to make Lease Payments as and when due in amounts sufficient for the Corporation to pay debt service payments on the 2025 Certificates, there can be no assurance of the availability of remedies adequate to protect the interest of the Beneficial Owners of the 2025 Certificates.

### **Limitations on Remedies**

The rights of the Owners of 2025 Certificates are subject to the limitations on legal remedies against cities in the State, including applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

The remedies of the Trustee under the Lease Agreement consist solely and exclusively of commencing an action to recover any amount of unpaid amounts of Lease Payments then due and owing hereunder or to seek by writ of mandate (1) the performance by the City of any action which the City failed to take which resulted in an Event of Default, or (2) the prevention of action by the City the occurrence of which resulted in an Event of Default. The Trustee shall not have any rights of re-entry upon or recovery of possession of the leased property, and the Corporation, for itself and assigns waives any and all such rights of re-entry and recovery and agrees to keep the Lease in full force and effect notwithstanding the occurrence of an event of default or an event which with the passage of time or the giving of notice or both could become an event of default.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of 2025 Certificates, the Trustee and the Corporation could be prohibited from taking any steps to enforce their rights under the Lease Agreement, and from taking any steps to collect amounts due from the City under the Lease Agreement. See "Bankruptcy" above.

All legal opinions with respect to the enforcement of the Lease Agreement and the Trust Agreements will be expressly subject to a qualification that such agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity if equitable remedies are sought.

### **Limitation on Trustee's Obligations**

The Trustee has no obligation to advance its own funds to pursue any remedies. As a consequence, the Trustee's willingness and ability to pursue any of the remedies provided in the Trust Agreements may be dependent upon the availability of funds from an interested party. There can be no assurance that the Trustee will be willing and able to perform its duties under the Trust Agreements.

### **Limited Secondary Market**

Investment in the 2025 Certificates poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risks of investment in the 2025 Certificates should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the 2025 Certificates or, if a secondary market exists, that the 2025 Certificates can or could 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 in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances. Such prices could be substantially different from the original purchase price.

In addition, the City will enter into a continuing disclosure undertaking pursuant to Rule 15c2-12 in connection with the issuance of the 2025 Certificates. Any material failure to comply with such undertaking and Rule 15c2-12 in the future may adversely affect the liquidity of the affected 2025 Certificates and their market price in the secondary market. See the caption “CONTINUING DISCLOSURE.”

### **Changes in Law**

There can be no assurance that the electorate of the State will not adopt additional initiatives or that the State Legislature will not enact legislation that will amend the laws or the Constitution of the State in a manner that results in a reduction of General Fund revenues of the City and consequently, has an adverse effect on the security for the 2025 Certificates.

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

### **Article XIII A of the State Constitution**

On June 6, 1978, State voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution. The amendment, which added Article XIII A to the State Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’, or thereafter, the appraised value of real property newly constructed, or when 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 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to December 1, 1978 and bonded indebtedness for the acquisition or improvement of real property approved on or after December 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition (55% in the case of certain school facilities). Property taxes that are subject to Proposition 13 are a significant source of the City’s General Fund revenues. See the caption “CITY FINANCIAL INFORMATION—Property Taxes.”

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (for new construction, change of ownership or 2% annual value growth) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts share the growth of “base” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation the following year. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

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, and 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 limited circumstances.

## Article XIII B of the State Constitution

On November 6, 1979, State voters approved an initiative entitled “Limitation on Government Appropriations,” which added Article XIII B to the State Constitution. Under Article XIII B, State and local government entities have an annual “appropriations limit” which limits the ability to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues and investment proceeds thereof, certain State subventions and regulatory license fees, user charges and user fees to the extent that the proceeds thereof exceed the costs of providing such services, together called “proceeds of taxes,” and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys which are excluded from the definition of “appropriations limit,” including debt service on indebtedness existing or authorized as of October 1, 1979 or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in the consumer price index, population and services provided by these entities. Among other provisions of Article XIII B, if those entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Increases in appropriations by a governmental entity are permitted: (i) if financial responsibility for providing services is transferred to a governmental entity; or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The City’s appropriations have never exceeded the limitation on appropriations under Article XIII B of the State Constitution.

## Proposition 62

On November 4, 1986, State voters approved an initiative (“Proposition 62”) which: (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency’s legislative body and by a majority of the electorate of the governmental entity; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within the jurisdiction; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax is imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax that is imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988. The requirements imposed by Proposition 62 were upheld by the State Supreme Court in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal.4th 220 (1995).

Following the *Guardino* decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. In 2001, the State Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.*, 25 Cal.4th 809 (2001). In *La Habra*, the court held that a public agency’s continued imposition and collection of a tax is an ongoing violation upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

The City believes that all of the taxes that the City currently collects comply with the requirements of Proposition 62. However, the requirements of Proposition 62 are largely subsumed by the requirements of



Proposition 218 for the imposition of any taxes or the implementation of any tax increases after November 5, 1996. See the caption “—Proposition 218” below.

### **Proposition 218**

On November 5, 1996, State voters approved Proposition 218, an initiative measure entitled the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments (meaning any levy or charge upon real property for a special benefit conferred upon the real property) and property-related fees and charges. Proposition 218 states that all taxes which are imposed by local governments are deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge may be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (a) the *ad valorem* property tax imposed pursuant to Articles XIII and XIII A of the State Constitution; (b) any special tax receiving a two-thirds vote pursuant to the State Constitution; and (c) assessments, fees and charges for property-related services as provided in Proposition 218. Proposition 218 then goes on to add voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such provisions is to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

In the case of assessments, fees and charges, in most instances, in the event that the City is unable to collect revenues relating to specific programs as a consequence of Proposition 218, the City will curtail such services rather than use amounts in the General Fund to finance such programs. However, no assurance can be given that the City may or will be able to reduce or eliminate such services to avoid new costs for the City General Fund in the event that the assessments, fees or charges which presently finance them are reduced or repealed.

Proposition 218 also extends the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and is not limited to property-related taxes or other charges, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City’s General Fund.

Although a portion of the City’s General Fund revenues are derived from general taxes purported to be governed by Proposition 218, as discussed under the caption “CITY FINANCIAL INFORMATION,” the City believes that all of such taxes were imposed in accordance with the requirements of Proposition 218.

### **Proposition 1A**

As part of former Governor Schwarzenegger’s agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the State Legislature and subsequently approved by the voters as Proposition

1A (“Proposition 1A”) at the November 2, 2004 general election. Proposition 1A amended the State Constitution to, among other things, reduce the State Legislature’s authority over local government revenue sources by placing restrictions on the State’s access to local governments’ property, sales, and VLF revenues as of November 3, 2004. Beginning with Fiscal Year 2009, the State was entitled to borrow up to 8% of local property tax revenues, but only if the Governor proclaimed that such action was necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approved the borrowing. The amount borrowed was required to be paid back within three years with interest. The State also was not able to borrow from local property tax revenues for more than two Fiscal Years within a period of ten Fiscal Years. In addition, the State could not reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the Statewide local sales tax.

The Fiscal Year 2010 State budget included a Proposition 1A diversion of \$1.935 billion in local property tax revenues from cities, counties, and special districts to the State to offset State General Fund spending. Such diverted revenues were required to be repaid, with interest, by no later than June 30, 2013. Many provisions of Proposition 1A were superseded by Proposition 22. See the caption “—Proposition 22.”

### **Proposition 22**

On November 2, 2010, State voters approved Proposition 22, which eliminates the State’s ability to borrow or shift local revenues and certain State revenues that fund transportation programs. It restricts the State’s authority over a broad range of tax revenues, including property taxes allocated to cities (including the City), counties and special districts, the VLF, State excise taxes on gasoline and diesel fuel, the State sales tax on diesel fuel and the former State sales tax on gasoline. It also makes a number of significant other changes, including restricting the State’s ability to use motor vehicle fuel tax revenues to pay debt service on voter-approved transportation bonds. Proposition 22 superseded certain provisions of Proposition 1A. See the captions “—Proposition 1A” and “CITY FINANCIAL INFORMATION—Property Taxes.”

### **Proposition 26**

On November 2, 2010, State voters approved Proposition 26. Proposition 26 amended Article XIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) 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; (b) 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; (c) a charge imposed for the reasonable regulatory costs of a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) 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; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The City does not believe that Proposition 26 will adversely affect its General Fund revenues.

### **Future Initiatives**

Articles XIII A and XIII B and Propositions 62, 218, 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. The limitations imposed upon the City by these provisions hinder the City’s ability to raise revenues through taxes or otherwise and may therefore prevent the City from meeting increased expenditure requirements. From time to time other initiative measures could be

adopted, further affecting the City's current revenues or its ability to raise and expend revenues. Any such future initiatives could have a material adverse effect on the City's financial condition.

## **THE CORPORATION**

The Corporation is a nonprofit, public benefit corporation organized under California law by the City Council on July 9, 1996. The Corporation is authorized to provide financing for public capital improvements for the City, to acquire such public capital improvements and to purchase obligations. The five member City Council serve as the directors of the Corporation.

## **TAX MATTERS**

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) with respect to the 2025 Certificates is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the 2025 Certificates might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Special Counsel, interest (and original issue discount) with respect to the 2025 Certificates is exempt from State of California personal income tax.

The difference between the issue price of a 2025 Certificate (the first price at which a substantial amount of the 2025 Certificates of the same series and maturity is to be sold to the public) and the stated prepayment price at maturity with respect to such 2025 Certificate constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to the owner of the 2025 Certificate before receipt of cash attributable to such excludable income (with respect to the 2025 Certificates). The amount of original issue discount deemed received by the owner of a 2025 Certificate will increase the owner's basis in the 2025 Certificate. In the opinion of Special Counsel original issue discount that accrues to the owner of a 2025 Certificate is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

Special Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) with respect to the 2025 Certificates is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City and the Corporation comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the execution and delivery of the 2025 Certificates to assure that the portion of each Lease Payment constituting interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) with respect to the 2025 Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the 2025 Certificates. The City and the Corporation have covenanted to comply with all such requirements applicable to each, respectively.

The amount by which a 2025 Certificate Owner's original basis for determining loss on sale or exchange in the applicable 2025 Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2025 Certificate premium, which must be amortized under Section 171 of the Code; such amortizable 2025 Certificate premium reduces the 2025 Certificate Owner's basis in the applicable 2025 Certificate (and the amount of tax-exempt interest received with respect to the 2025 Certificates), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2025 Certificate premium may result in a 2025 Certificate Owner realizing a taxable gain when a 2025 Certificate is sold by the Owner for an amount equal to or less (under certain circumstances) than the

original cost of the 2025 Certificate to the Owner. Purchasers of the 2025 Certificates should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable 2025 Certificate premium.

SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE 2025 CERTIFICATES, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST (AND ORIGINAL ISSUE DISCOUNT) WITH RESPECT TO THE OR THE MARKET VALUE OF THE 2025 CERTIFICATES. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2025 CERTIFICATES. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE 2025 CERTIFICATES, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2025 CERTIFICATES, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2025 CERTIFICATES.

Special Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Special Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Trust Agreements, the Lease, and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. Special Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) with respect to any Certificate if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the 2025 Certificates will be selected for audit by the IRS. It is also possible that the market value of the 2025 Certificates might be affected as a result of such an audit of the 2025 Certificates (or by an audit of similar securities). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2025 Certificates to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2025 Certificates or their market value.

Although Special Counsel has rendered an opinion that the interest (and original issue discount) with respect to the 2025 Certificates is excluded from gross income for federal income tax purposes provided that the City and the Corporation continue to comply with certain requirements of the Code, the ownership of the 2025 Certificates and the accrual or receipt of interest (and original issue discount) with respect to the 2025 Certificates may otherwise affect the tax liability of certain persons. Special Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2025 Certificates, all potential purchasers should consult their tax advisors with respect to collateral tax consequences with respect to the 2025 Certificates.

Should interest (and original issue discount) on the 2025 Certificates become includable in gross income for federal income tax purposes, the 2025 Certificates are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Trust Agreements.

The form of Special Counsel's proposed opinion with respect to the 2025 Certificates is attached hereto in Appendix C.

#### **CERTAIN LEGAL MATTERS**

The validity of the 2025 Certificates and certain other matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth LLP, Special Counsel. A copy of the proposed form of opinion of Special

Counsel is contained in Appendix C attached hereto. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by the City Attorney, by Stradling Yocca Carlson & Rauth LLP, Disclosure Counsel to the City, for the Corporation by Counsel to the Corporation and for the Underwriter by its counsel, Katten Muchin Rosenman LLP. Fees of Special Counsel, Disclosure Counsel and counsel to the Underwriter are contingent on the execution and delivery of the 2025 Certificates.

## **LITIGATION**

No litigation is pending and notice of which has been served on and received by the City or the Corporation, as applicable, or threatened against the City or the Corporation concerning the validity of the 2025 Certificates. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting or affecting the validity of the 2025 Certificates or any proceedings of the City and the Corporation taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for payment of the 2025 Certificates or the use of the proceeds of the 2025 Certificates.

## **ENFORCEABILITY OF REMEDIES**

The remedies available to the Trustee or the holders of the 2025 Certificates upon an Event of Default under the Lease Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay, and such remedies may not be readily available or may be limited. For example, acceleration is not available in such instance. The various legal opinions to be delivered concurrently with the 2025 Certificates (including Special Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitation imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion.

## **FINANCIAL STATEMENTS**

The City's financial statements for the fiscal year ended June 30, 2024, which are included as Appendix A hereto, have been audited by LSL, LLP, an independent auditor, as stated in their report appearing in Appendix A hereto. LSL, LLP has not undertaken to update its reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by LSL, LLP with respect to any event subsequent to its report.

## **CONTINUING DISCLOSURE**

The City has covenanted for the benefit of holders and beneficial owners of the 2025 Certificates to provide or cause to be provided certain financial information and operating data relating to the City (the "Annual Report") by not later than the last day of the end of the ninth month after the end of each fiscal year of the City (presently such fiscal year ends June 30), commencing March 31, 2026 with respect to the Annual Report for Fiscal Year 2024-25, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") system. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth under the caption APPENDIX D - "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants are made in order to assist the Underwriters in complying with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5).

The City's obligations under the Continuing Disclosure Certificate (the "Disclosure Certificate") shall terminate upon a legal defeasance, prior prepayment or payment in full of all of the 2025 Certificates. The provisions of the Disclosure Certificate are intended to be for the benefit of the owners of the 2025 Certificates and in order to assist the participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) and shall be enforceable by the owners of 2025 Certificates, provided that any enforcement action by any such person shall be limited to a right to obtain specific enforcement of the City's obligations under the Disclosure Certificate and

any failure by the City to comply with the provisions thereof shall not be an event of default under the Trust Agreements.

The City engages Digital Assurance Corporation (“DAC”) to provide assistance in connection with compliance with the City’s continuing disclosure undertakings.

## **RATING**

S&P Global Ratings (“S&P”) has assigned a rating of “\_\_\_” to the 2025 Certificates. Such rating reflects only the views of S&P, and explanation of the significance of such rating may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2025 Certificates.

## **MUNICIPAL ADVISOR**

The City has retained KNN Public Finance, LLC, Los Angeles, California, as municipal advisor (the “Municipal Advisor”) in connection with the delivery of the 2025 Certificates. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

## **UNDERWRITING**

BofA Securities, Inc. (the “Underwriter”) has agreed to purchase all of the 2025A Certificates for an aggregate purchase price of \$\_\_\_\_\_, representing the aggregate principal amount of the 2025A Certificates, plus original issue premium in the amount of \$\_\_\_\_\_, less an Underwriter’s discount of \$\_\_\_\_\_, subject to certain conditions set forth in the Purchase Contract between the City and the Underwriter. BofA Securities, Inc. (the “Underwriter”) has agreed to purchase all of the 2025B Certificates for an aggregate purchase price of \$\_\_\_\_\_, representing the aggregate principal amount of the 2025B Certificates, plus original issue premium in the amount of \$\_\_\_\_\_, less an Underwriter’s discount of \$\_\_\_\_\_, subject to certain conditions set forth in the Purchase Contract between the City and the Underwriter. The Purchase Contract provides that the Underwriter will purchase all of the 2025 Certificates if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter has provided the following paragraphs for inclusion in this Official Statement.

The Underwriter has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, the Underwriter may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial network of MLPF&S. As part of this arrangement, the Underwriter may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, such services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of its various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **MISCELLANEOUS**

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Owners of any of the 2025 Certificates.

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

CITY OF MANHATTAN BEACH

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



**APPENDIX A**

**CITY OF MANHATTAN BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED JUNE 30, 2024**

## **APPENDIX B**

### **SUMMARY OF THE LEASE AGREEMENT; FORMS OF TRUST AGREEMENTS**

**APPENDIX C**

**PROPOSED FORM OF OPINION OF SPECIAL COUNSEL**

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## APPENDIX E

### BOOK-ENTRY ONLY SYSTEM

*None of the City, the Corporation, the Trustee or the Underwriter can or do give any assurances that DTC, the Participants or others will distribute payments of principal of or interest on the 2025 Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the City, the Trustee or the Underwriter is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the 2025 Certificates or an error or delay relating thereto.*

#### **Depository Trust Company Procedures**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2025 Certificates (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The information on such website is not incorporated herein by such reference or otherwise.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as prepayments, tenders, defaults, and proposed amendments to the Trust Agreements. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities 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, Security certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The City and the Underwriters cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, with respect to the securities paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City and the Underwriters are not responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the securities or an error or delay relating thereto.