PRELIMINARY OFFICIAL STEMENT DATED NOVEMBER __, 2021

NEW ISSUE - BOOK ENTRY ONLY

RATING:
S&P: "____"
(See "RATING" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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 2021 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 2021 Certificates is exempt from State of California personal income tax. See "Tax Matters" herein with respect to tax consequences relating to the 2021 Certificates.

$6,000,000*
REFUNDING CERTIFICATES OF PARTICIPATION
Series 2021
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: January 1, as shown on the Inside cover.**

The $6,000,000 Refunding Certificates of Participation Series 2021 (the "2021 Certificates") are being executed and delivered to (a) refund the Certificates of Participation (Metlox and Water/Wastewater Refunding) Series 2012 (the "Refunded Certificates"), currently outstanding in the principal amount of $7,695,000; and (b) pay certain costs of issuance. The 2021 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. Interest with respect to the 2021 Certificates will be payable semiannually on each January 1 and July 1, commencing July 1, 2022. The 2021 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 Manhattan Beach City Hall 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 December 1, 2021 (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 2021 CERTIFICATES."

The 2021 Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the "Trust Agreement"), by and among the City, the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), in fully registered form. When delivered, the 2021 Certificates 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 2021 Certificates, Individual purchases of the 2021 Certificates will be made in book-entry form only. Purchasers will not receive certificates representing their interests in the 2021 Certificates purchased. Principal, prepayment premium, if any, and interest payable with respect to the 2021 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 2021 Certificates. See APPENDIX E - "BOOK-ENTRY ONLY SYSTEM."

The 2021 Certificates are subject to extraordinary prepayment prior to maturity, as described herein. See "PREPAYMENT."

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* Preliminary, subject to change.

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 2021 Certificates are offered when, as and if delivered and received by the Underwriter subject to approval by Stradling Yocca Carlson & Rauth, a Professional Corporation, 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 2021 Certificates will be available for delivery in New York, New York, through the book-entry facilities of DTC, on or about December 15, 2021.

BofA Securities

Dated: November __, 2021

$6,000,000†
REFUNDING CERTIFICATES OF PARTICIPATION
Series 2021

MATURITY SCHEDULE
(Base CUSIP†: 562765)

Maturity (January 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP†*
2023	$585,000				
2024	645,000				
2025	685,000				
2026	715,000				
2027	495,000				
2028	520,000				
2029	550,000				
2030	570,000				
2031	605,000				
2032	630,000				

† Preliminary, subject to change.
* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriters take any responsibility for the accuracy of such numbers.

CITY OF MANHATTAN BEACH
MANHATTAN BEACH CAPITAL IMPROVEMENTS CORPORATION

City Council/Corporation Board

Hildy Stern, Mayor/President
Steve Napolitano, Mayor Pro Tem/Vice-President
Joe Franklin, Council Member/Member
Suzanne Hadley, Council Member/Member
Richard Montgomery, Council Member/Member

CITY OFFICIALS

Timothy J. Lilligren, City Treasurer
Bruce Moe, City Manager
Steve S. Charelian, Finance Director
Julie Bondarchuk, Financial Controller
Libby Bretthauer, Financial Services Manager

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
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 National Association
Los Angeles, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

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 2021 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 2021 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 2021 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 Agreement 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. 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 2021 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 2021 CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2021 CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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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 Agreement (defined below).

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 Refunding Certificates of Participation Series 2021 (the "2021 Certificates"), in an aggregate principal amount of $6,000,000*. The 2021 Certificates are being executed and delivered to (a) refund the Certificates of Participation (Metlox and Water/Wastewater Refunding) Series 2012 (the "Refunded Certificates"), currently outstanding in the principal amount of $7,695,000; and (b) pay certain costs of issuance. The 2021 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 Manhattan Beach City Hall 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 December 1, 2021 (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 December 1, 2021 (the "Site Lease"), by and between the City and the Corporation.

The 2021 Certificates will be executed and delivered pursuant to the Trust Agreement, dated as of December 1, 2021 (the "Trust Agreement"), by and among the City, the Corporation and U.S. Bank National Association, as trustee (the "Trustee"). Pursuant to an Assignment Agreement, dated as of December 1, 2021 (the "Assignment Agreement"), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners, 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 2021 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.

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[*] Preliminary; subject to change.

[The 2021 Certificates are subject to prepayment as described herein. See "PREPAYMENT" 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 2021 Certificates" herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Included herein are brief summaries of the Trust Agreement, 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. Copies of this Official Statement and Legal Documents are available for inspection during the period of the offering from the Underwriter and following delivery of the 2021 Certificates, on file at the office of the Trustee in Los Angeles, California.

THE 2021 CERTIFICATES

The 2021 Certificates will be dated the date of their delivery and principal with respect to the 2021 Certificates will be payable on the dates set forth on the inside cover of this Official Statement. The 2021 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 2021 Certificates will be payable semiannually on each January 1 and July 1, commencing July 1, 2022 (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 2021 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 2021 Certificates. Individual purchases of the 2021 Certificates will be made in book-entry form only. Purchasers of the 2021 Certificates will not receive certificates representing their ownership interests in the 2021 Certificates purchased, Principal and interest payments represented by the 2021 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 2021 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 cheek 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 2021 Certificates received at least fifteen (15) days prior to a Record Date under the 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 Trust Agreement. "Record Date" means, with respect to any Interest Payment Date with respect to the 2021 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 Trust Agreement.

Prepayment

Extraordinary Prepayment from Net Insurance Proceeds. The 2021 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 Trust Agreement, the Trustee shall give notice of the prepayment of the affected 2021 Certificates. Such notice shall specify: (a) that the 2021 Certificates or a designated portion thereof are to be prepaid, (b) the CUSIP numbers, the numbers and dates of maturity of the 2021 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 2021 Certificates designated for prepayment at their addresses appearing on the 2012 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 2021 Certificates. Failure by an Owner, securities depository or information service to receive notice as provided in the 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 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 2021 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 2021 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.

THE LEASED PREMISES

The Leased Premises consists of Manhattan Beach City Hall and the real property on which it is located.

Manhattan Beach City Hall is located two blocks from the Pacific Ocean at 1400 Highland Avenue, Manhattan Beach, California, in the heart of the City's downtown district and civic center. It was constructed in 1974 and sits upon an approximately 49,000 square foot parcel of land owned by the City. The three-story building contains approximately 27,400 square feet of office and meeting space, including a large council chamber which hosts most public city meetings. City Hall houses five of the City's eight departments and nearly one hundred full time staff members. The building is of contemporary design and steel and mortar construction and enjoys beach and ocean views and easy accessibility. City Hall lies adjacent to many City owned facilities including public parking lots, and the City Police and Fire Department headquarters.

PLAN OF REFUNDING

The City will apply a portion of the proceeds of the sale of the 2021 Certificates, together with other lawfully available funds designated by the City, to establish separate irrevocable escrow funds to refund and defease all the outstanding Certificates of Participation (Metlox and Water/Wastewater Refunding) Series 2012 (the "2012 Certificates") pursuant to the legal documents under which the 2012 Certificates. The Refunded Certificates were executed and delivered to refinance the costs of acquisition and construction of a downtown subterranean public parking structure and outdoor plaza, the costs of certain improvements to the City's water and wastewater systems, and to pay costs of issuance with respect to the 2012 Certificates.

Upon the execution and delivery of the 2021 Certificates, a portion of the proceeds thereof shall be applied to the purchase of certain direct obligations of the United States of America which will satisfy the City's payment obligations with respect to the 2012 Certificates until their payment or prepayment dates. These direct obligations shall be deposited in separate escrow accounts held by U.S. Bank National Association, as escrow agent for the 2012 Certificates (the "Escrow Agent") under an escrow agreements (the "Escrow Agreement") that will require the Escrow Agent to apply the principal of and interest on such obligations, together with other moneys held by the Escrow Agent, to the payment or prepayment of the 2012 Certificates on their respective payment or prepayment dates set forth in the table below.

The obligations of the United States of America so deposited with the Escrow Agent will bear interest at such rates and will be scheduled to mature at such times and in such amounts that, when paid in accordance with their terms, together with any other funds held by the Escrow Agent under the Escrow Agreement, sufficient moneys will be available to make full and timely payment of the principal of and interest evidenced and represented by the 2012 Certificates prior to their respective scheduled payment or prepayment dates and to pay the prepayment price of the full principal amount which remains outstanding on such prepayment date. For information on mathematical verification for the sufficiency of scheduled payments with respect to such obligations of the United States of America and other funds held by the Escrow Agent to make such payments with respect to the 2012 Certificates, see "VERIFICATION OF MATHEMATICAL COMPUTATIONS." Upon such irrevocable deposit with the Escrow Agent and the receipt by the Escrow Agent of irrevocable escrow instructions from the City, the 2012 Certificates will be defeased and the owners of the 2012 Certificates will no longer be entitled to the benefits of the legal documents under which they were executed and delivered.

2012 Certificates of Participation
(Metlox Public Improvements)
Base CUSIP† Number: 562765

Maturity Date (January 1)	*Principal Amount*	*CUSIP Number†*	*Prepayment Date*
2022	$710,000	CU9	-----
2023	730,000	CV7	January 1, 2021
2024	765,000	CW5	January 1, 2021
2025	800,000	CX3	January 1, 2021
2026	830,000	CY1	January 1, 2021
2027	590,000	CZ8	January 1, 2021
2028	610,000	DA2	January 1, 2021
2029	630,000	DB0	January 1, 2021
2030	650,000	DC8	January 1, 2021
2031	680,000	DD6	January 1, 2021
2032	700,000	DE4	January 1, 2021

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2021 Certificates and other available amounts are expected to be applied approximately as set forth below:

<u>Sources</u>	
Principal Amount of Certificates	
Plus Original Issue Premium	
Available Amounts from 2012 Certificates	
Total Sources	
<u>Uses</u>	
Deposit to the 2012 Escrow Fund	
Delivery Costs(1)	
Total Uses	

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

SECURITY AND SOURCES OF PAYMENT FOR THE 2021 CERTIFICATES

General

Each Certificate represents an undivided proportionate interest in the 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 Agreement, 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 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 Lease Payment Fund or the Prepayment Fund, as appropriate.

The Lease Payments have been pledged to and shall be used for the punctual payment of the Interest Component and the Principal Component, and the Lease Payments shall not be used for any other purpose while any of the 2021 Certificates remain outstanding. In the Trust Agreement, the City covenants that such pledge will constitute a first and exclusive lien on the Lease Payments in accordance with such Trust Agreement. 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 such 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 all moneys in the funds and accounts held by the Trustee under the Trust Agreement, including without limitation, the Lease Payment Fund, the Prepayment Fund and the Net Insurance Proceeds Fund, and all such moneys shall be held by the Trustee in trust and applied to the respective purposes specified in the 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 2021 Certificates and compliance with other requirements of the Lease Agreement. See APPENDIX B - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE AGREEMENT."

Source of Lease Payments

Under the terms of each Lease Agreement, the Corporation will lease the Leased Premises to the City, and the City is required to make the Lease Payments semiannually to the Trustee, plus Additional Payments as necessary to pay all fees, costs and expenses of the Corporation in its performance of the Lease Agreement and Trust Agreement, including fees and expenses of the Trustee in performance of its duties under the Trust Agreement. 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 (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 2021 Certificates and becoming due on the next 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.

The Trustee will establish a special fund designated as the "City of Manhattan Beach Series 2021 Lease Payment Fund" (the "Lease Payment Fund"). There will be deposited into the 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 Lease Payment Fund will be held by the Trustee in trust for the benefit of the Owners of the 2021 Certificates and amounts on deposit in the Lease Payment Fund not required for the purpose of paying the Principal Component and the Interest Component then due and payable 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 Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys will be used and applied by the Trustee as set forth in the Trust Agreement.

Except as provided in the Trust Agreement 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 Agreement.

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

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

(b) On or before each Principal Payment Date, an amount sufficient to pay the Principal Component coming due and payable on the 2021 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 2021 Certificates in accordance with the Trust Agreement, the amount prepaid shall be deposited into the Prepayment Fund to be applied for the prepayment of the 2021 Certificates in accordance with the Trust Agreement.

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 Agreement, 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. See "RISK FACTORS — Abatement" and APPENDIX B - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Lease Agreement."

No Reserve Fund

No reserve fund has been established with respect to the 2021 Certificates.

Lease Payments

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 2021 Certificates and due on the next Payment Date.

The Trust Agreement requires that the Lease Payments be deposited in the Lease Payment Fund. All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the 2021 Certificates. So long as any Certificates are Outstanding, neither the City nor the Corporation shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys shall be used and applied by the Trustee as set forth in the Trust Agreement.

There shall be deposited into the Lease Payment Fund all Lease Payments received by the Trustee and any other moneys required to be deposited therein pursuant to the Lease Agreement or pursuant to the 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 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. 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 Agreement, and subject to specific conditions set forth therein. See APPENDIX B — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

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 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 2021 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 2021 Certificates or of the Trust Agreement 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 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 Agreement.

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 either 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 Lease Payment Fund, and shall be credited toward the payment of the 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 2021 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.

Lease Payment Schedule

Following is the Lease Payment schedule with respect to the 2021 Certificates:

Lease Payment Date	Principal Component	Interest Component	Total

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. Elevations vary from sea level to approximately 200 feet above sea level.

Population and Employment

The City has a population of approximately 35,573 residents as of January 1, 2021 and is mostly "built-out." A substantial number of City residents commute to work outside of the City.

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

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:

Title	***Member***	***Term Expires March***
Mayor	Hildy Stern	November 2022
Mayor Pro Tem	Steve Napolitano	November 2022
Councilperson	Joe Franklin	November 2024
Councilperson	Suzanne Hadley	November 2024
Councilperson	Richard Montgomery	November 2024
City Treasurer	Tim Lilligren	November 2024

Appointed staff members serving the City are:

Bruce Moe	City Manager
Quinn Barrow	City Attorney
Steve S. Charelian	Finance Director
Liza Tamura	City Clerk
Julie Bondarchuk	Financial Controller
Libby Bretthauer	Financial Services Manager

City Employees

There are 299 budgeted full-time City employees excluding elected officials. Additionally, the City employs part-time staff equating to approximately 53 full-time equivalent positions. The City generally enjoys positive relations with its employees. About 8% of the City's full-time employees are not represented, while the remaining 92% are represented by employee organizations within six bargaining units. The six bargaining units are: the Manhattan Beach Firefighters Association; the Manhattan Beach Fire Management 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 expired or expiring December 31, 2021 and are expected to be renegotiated in calendar year 2021.

The following summarizes the membership of the City's unrepresented unit and employee associations as set forth in the Fiscal Year 2021-22 Adopted Budget:

TABLE 1
City of Manhattan Beach
Unrepresented Unit and Employee Associations

Employee Unit	*Number of Budgeted Full Time Employees**	*Percent of Workforce*
Manhattan Beach Fire Association	26	8.7%
Manhattan Beach Fire Management Association	3	1.0
Manhattan Beach Police Officers' Association	57	19.1
Manhattan Beach Police Management Association	7	2.3
Manhattan Beach Mid-Management Association	48	16.1
Miscellaneous Unit - Teamsters Local 911	133	44.5
Management/Confidential (not represented)	25	8.4
TOTAL	299	100.0%

*Excludes elected officials.

City General Fund Budget Process

The fiscal year of the City begins on the first day of July of 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.

Early in the 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 a 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 presented.

From the effective date of the budget, the amounts adopted as expenditures become appropriated to the several departments, offices and agencies for the projects and purposes named. All appropriations (except appropriations for capital projects which are in effect until the project is 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.

COVID-19

The COVID-19 pandemic materially impacted economic activity throughout the world. It resulted in increased costs and challenges to the public health system in and around the City, cancellations of public events and disruption of the regional and local economy. The COVID-19 pandemic, and local, state and federal actions in response to the COVID-19 pandemic had a significant impact on the City's operations and finances. From time to time since the onset of the COVID-19 pandemic in March 2020 governments mandated a variety of responses ranging from travel bans and social distancing practices to complete shut-downs of certain services and facilities. Restrictions on personal and commercial activities were imposed and were subsequently revised by the City, Los Angeles County and the State throughout the COVID-19 pandemic based on the then-current status of infection rates and hospitalizations and other factors. Most recently, with the increasing vaccination rates throughout the State, and COVID-related infections and deaths declining, most of the pandemic-related restrictions have been eased or repealed.

On March 27, 2020, the President signed the $2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") which provided, among other measures, $150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. Under the CARES Act, the City received an allocation of $435,236 in fiscal year 2020-21. The City adhered to the funding guidelines and used the allocation in Fiscal Year 2020-21 for public safety efforts to combat the spread of COVID-19. Additionally, the City submitted approximately $1.1 million in COVID-19 related expenditure reimbursements through the Federal Emergency Management Agency ("FEMA"). Since the expenditures have to be approved by FEMA before any funds are received, the actual amount of assistance is difficult to determine.

On March 11, 2021, the President signed the $1.9 trillion American Rescue Plan Act of 2021 ("ARPA"). Approximately $130 billion of these funds are dedicated to local aid for relief to cities and counties. The City's allocation is estimated at approximately $8.4 million. On August 3, 2021, the City Council accepted the funds for governmental services to offset revenue losses, which added $4.2 million to the General Fund Unreserved Fund Balance. As described below in "General Economic Condition and Outlook of the City - Fiscal Year 2021-22 Adopted Budget," the City allocated the second anticipated payment of $4.2 million in connection with the Fiscal Year 2021-22 Adopted Budget.

The City cannot predict future events relating to the pandemic. There can be no assurances that COVID-19 will not materially adversely impact the City's financial condition in the future.

General Economic Condition and Outlook of the City

Fiscal Year 2020-21. The City Council adopted the Fiscal Year 2020-21 Adopted Budget on June 25, 2020, which reflected a slight General Fund operating budget deficit of $1,458. The Fiscal Year 2020-21 Adopted Budget projected General Fund revenues to be $73,122,730, a decrease of $3.0 million or 3.9% from the Fiscal Year 2019-2020 Adopted Budget. The decrease was mainly due to COVID-19 related projected declines in sales taxes (11% projected decline), transient occupancy taxes (8% projected decline), business license taxes, parking citations and charges for services. General Fund expenditures in the Fiscal Year 2020-21 Adopted Budget were projected to be $73,124,188, a decrease from the Fiscal Year 2019-20 Adopted Budget of $1.9 million (-2.5%) but $2.0 million (2.8%) over Fiscal Year 2019-20 year-end estimates. The Fiscal Year 2020-21 Adopted Budget included an increase of $3.2 million in salaries and benefits (mainly due to increased required payments to CalPERS) and reductions from Fiscal Year 2019-20 expenditures for materials and services, internal service charges and interfund transfers.

On February 16, 2021, City staff presented the City Council with the Fiscal Year 2020-21 Mid-Year Budget Report (the "Mid-Year Report"). (The City believes that the Mid-Year Report projections continue to be appropriate, and the year-end projections were used in connection with the preparation of the Fiscal Year 2021-22 Adopted Budget.) The Mid-Year Report projected that the City's General Fund operating budget would finish Fiscal Year 2020-21 with revenues exceeding expenditures by $557,105. Significant variations from the Fiscal Year 2020-21 Adopted Budget included lower-than budgeted amounts for employee costs, contract-professional services, and materials and services. With respect to revenues, the Mid-Year Report stated that property tax revenues and real estate transfer taxes were expected to exceed budgeted amounts, and transient occupancy taxes were projected to be significantly below budgeted amounts.

The total General Fund balance on June 30, 2021 is estimated to be nearly $28.7 million. Within this total fund balance, $18.6 million has been designated to policy and economic uncertainty reserves, and $10.1 million is unreserved (available), which includes $4.2 million received in ARPA funds. On August 3, 2021, the City Council designated $2.0 million of Unreserved funds toward the construction of Fire Station No. 2. Unreserved funds will likely be needed to relieve future anticipated deficits in the Stormwater Fund and Street Lighting & Landscape Fund.

Estimated June 30, 2021 General Fund Balances	
General Fund Unreserved	$10,119,673
Financial Policy Designation	14,624,838
Reserve for Economic Uncertainty	4,000,000
Total General Fund Balance	**$28,744,511**

Fiscal Year 2021-22 Adopted Budget. The City Council adopted the Fiscal Year 2021-22 Budget (the "Fiscal Year 2021-22 Adopted Budget") on June 15, 2021. Fiscal Year 2021-22 General Fund revenues, including the second tranche of the American Rescue Plan funds, are currently projected at approximately $82.3 million. Expenditures total approximately $77.7 million, resulting in an anticipated operating budget surplus of approximately $4.56 million. Excluding the $4.2 million of ARPA funds allocable to Fiscal Year 2021-22, the Budget was adopted with a surplus of approximately $350,000. The total General Fund balance on June 30, 2022 is projected to be approximately $29.5 million. Taking into account expected transfers and policy reserves, the unreserved General Fund balance is projected to total $9.9 million on June 30, 2022.

In accordance with the City's Pension Policy, transfers out to the (1) CIP Fund for debt service and capital improvements and (2) PARS Trust Fund for future pension costs are decrementing the unreserved General Fund balance; however, when these reserved funds are spent in the future, they will be offsetting what would have been General Fund obligations.

Budgeted June 30, 2022 General Fund Balances[1]	
General Fund Unreserved	$9,914,621
Financial Policy Designation	15,539,658
Reserve for Economic Uncertainty	4,000,000
Total General Fund Balance FY 2021	**$29,454,279**

(1) Table reflects allocation of $2.0 million of unreserved fund balance to pay a portion of the costs of the 2021 Project, as described above.

Revenues. For Fiscal Year 2021-22, budgeted property taxes are projected to remain largely unaffected by the economic downturn since assessed values continue to rise. At over 40% of the General Fund, overall property tax receipts are expected to increase 8.3% over the Fiscal Year 2020-21 Adopted Budget. Compared to the projection in the Mid-Year Report, property taxes are estimated to increase $1.86 million or 5.1%.

Sales tax, the City's second largest General Fund revenue source (12% of total revenue) was significantly impacted starting in March 2020. At this point in time, sales tax in Fiscal Year 2021-22 is projected to rebound to nearly $9.3 million, about $1.1 million above the prior year budget. However, because of the potential for lingering impacts of the COVID-19 pandemic, uncertainty remains with respect to projections.

[[UPDATE AFTER ISSUANCE OF NOVEMBER REPORT IF APPROPRIATE]] Hotel occupancy taxes are expected to generate approximately $4.0 million in General Fund revenue in Fiscal Year 2021-22, which is $375,000 (8.5%) below the Fiscal Year 2020-21 Adopted Budget. Business and leisure travelers are slowly returning, however, the short and long term impacts to the hotel industry from COVID-19 are uncertain. During the pandemic, occupancy rates dropped below 25%. The Fiscal Year 2021-22 Adopted Budget assumes occupancy rates will continue rising over the coming months as travel gains momentum. Additionally, an approved increase in the transient occupancy tax rate from 10% to 12% went into effect in July 2020. However, similar to the sales tax, uncertainty makes projecting this revenue a challenge.

Expenditures. General Fund expenditures in the Fiscal Year 2021-22 Adopted Budget equal approximately $77.7 million, an increase from the Fiscal Year 2020-21 Adopted Budget of $4.6 million (6.3%). When comparing to the Fiscal Year 2020-21 Mid-Year Report, the Fiscal Year 2021-22 Budget is $6.6 million (9.1%) higher.

At 64% of General Fund expenditures, salaries and benefits represent the largest portion of the Fiscal Year 2021-22 Adopted Budget. This category shows a significant decrease due to the savings associated with the issuance by the City of Pension Obligation Bonds ("POBs") in 2021. Salaries and benefits decreased $5.4 million due to the elimination of the UAL payments, which is offset by the increase of $5.3 million in the debt service category for POB principal and interest payments.

[[ADD BRIEF SUMMARY OF FIRST QUARTER REPORT WHEN AVAILABLE]]

TABLE 2
ADOPTED GENERAL FUND BUDGET
For the Fiscal Years ended June 30, 2020 through June 30, 2022

REVENUES	***FY 2019-20 Adopted***	***FY 2019-20 Actual***	***FY 2020-21 Adopted***	***FY 2020-21 Estimated Actual***	***FY 2021-22 Adopted***
Property Tax	$33,111,743	$34,002,017	$35,123,856	$36,192,247	$38,049,313
Other Taxes & Assessments	20,154,200	18,042,366	18,013,685	16,229,361	19,240,000
Licenses & Permits	2,797,340	2,572,460	2,676,323	3,303,468	3,360,586
Fines	2,447,000	1,925,543	1,840,000	1,837,500	2,030,000
Interests & Rents	4,064,279	4,875,067	3,855,796	3,678,599	3,542,335
From Other Agencies	640,974	455,990	815,850	1,100,512	548,629
Services	8,344,900	7,103,286	6,316,002	5,265,910	6,778,113
Interfund Charges	3,664,530	3,569,704	3,398,018	3,699,819	3,981,338
Transfers	0	291,250	0	0	0
American Rescue Plan Act	0	0	0	4,208,261	4,208,260
Miscellaneous	1,038,200	879,335	1,303,200	763,000	785,500
TOTAL REVENUES	$76,263,166	$73,717,018	$73,342,730	$76,278,677	$82,524,074
EXPENDITURES					
Personnel Services	$52,559,787	$52,089,689	$53,268,735	$51,316,011	$49,736,843
Materials & Services	22,117,051	20,259,424	19,171,602	19,323,165	22,296,086
Capital Outlay	103,124	308,796	395,500	229,141	218,190
Debt Service	485,475	483,575	479,350	479,350	5,643,853
Interfund Transfers	0	494,783	0	1,188,065	0
TOTAL EXPENDITURES	$75,265,437	$73,636,267	$73,315,187	$72,535,732	$77,894,972
SURPLUS/(DEFICIT)	$997,729	$80,751	$27,543	$3,742,945	$4,629,102

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

City Financial Information

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

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, the 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 Comprehensive Annual 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 2019. The City has consistently been awarded the Certificate for the past twenty years. The annual audit report is generally available by February 1 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 2015-16 through Fiscal Year 2019-20.

TABLE 3
City of Manhattan Beach
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
For the Fiscal Years ended June 30, 2016 through June 30, 2020

	2016	*2017*	*2018*	*2019*	*2020*
Revenues					
Taxes and assessments	$46,162,711	$47,656,968	$49,223,879	$52,272,101	$52,044,383
Licenses and permits	2,796,838	2,703,626	3,365,669	3,048,263	2,572,460
Intergovernmental	524,218	315,831	363,670	355,520	455,990
Charges for services	9,568,921	11,016,466	12,255,990	12,076,449	10,672,990
Use of money and property	3,717,747	3,455,654	2,746,518	5,304,823	4,875,067
Fines and forfeitures	2,503,274	2,494,090	2,472,310	1,963,412	1,925,543
Miscellaneous Revenues	1,494,448	1,709,522	1,180,783	1,112,149	879,335
Total revenues	**$66,768,157**	**$69,352,157**	**$71,608,819**	**$76,132,717**	**$73,425,768**
Expenditures					
General government	$13,188,149	$13,290,308	$14,018,095	$15,125,085	$ 14,299,084
Public safety	36,935,735	38,321,484	39,441,189	42,632,070	43,491,601
Culture and recreation	7,331,395	7,755,958	7,995,311	8,383,582	6,914,199
Public works	6,116,597	6,232,637	6,138,757	7,190,483	7,644,229
Capital outlay	327,017	389,392			
General government			21,773	65,704	171,736
Public safety			51,837	328,757	127,605
Culture and recreation				5,497	9,455
Public works			32,303	5,999	
Debt service					
Principal retirement	270,000	280,000	265,000	295,000	305,000
Interest and fiscal charges	88,670	141,124	194,375	185,975	176,975
Fees			1,600	1,600	1,600
Payment to refunded bond escrow agent	-	11,334	-	-	-
Total expenditures	**$64,257,563**	**$66,422,237**	**$68,160,240**	**$74,219,752**	**$73,141,484**
Excess (Deficiency) of revenues Over (Under) expenditures	2,510,594	2,929,920	3,448,579	1,912,965	284,284
Other Financing Sources (Uses)					
Transfers in	197,780	732,106	246,618	263,873	291,250
Transfers out	(1,723,681)	(2,364,678)	(1,848,290)	(2,594,296)	(494,783)
Refunding bonds issued		5,905,000			
Bond premium		438,570			
Payment to refunded bond escrow agent		(6,343,564)			
Proceeds from sale of capital assets	838	-			
Total other financing sources (uses)	**$(1,525,063)**	**$(1,632,566)**	**$(1,601,672)**	**$(2,330,423)**	**$(203,533)**
Net change in fund balances	985,531	1,297,354	1,846,907	(417,458)	80,751
Fund Balances, Beginning of Year	22,764,750	23,750,281	25,047,635	26,872,054	26,454,596
Restatements			(22,488)		150,738
Fund Balances, End of Year	**$23,750,281**	**$25,047,635**	**$26,872,054**	**$26,454,596**	**$26,686,085**

Source: City of Manhattan Beach

TABLE 4
City of Manhattan Beach General Fund Balance Sheet
For the Fiscal Years ended June 30, 2016 through June 30, 2020

	2016	*2017*	*2018*	*2019*	*2020*
Assets:					
Pooled cash and investments	$21,845,248	$25,134,110	$23,882,940	$27,099,945	$26,563,191
Receivables:					
Accounts	585,111	587,821	631,736	726,858	1,130,113
Taxes	3,777,330	3,127,883	3,142,363	2,963,009	2,307,664
Notes and loans	3,771,864	1,546,266	1,494,268	-	-
Accrued interest	293,118	423,965	566,547	699,777	695,674
Prepaid costs	82,138	133,786	753,765	684,023	50,207
Due from other funds	22,488	22,488	-	-	-
Due from other governments	166,467	196,125	1,801,610	922,759	384,546
Due from OPEB Trust Fund	132,665	134,449	276,109	315,517	309,945
Due from Pension Trust Fund	156,223	-	-	-	-
Inventories	-	-	-	7,167	22,915
Restricted assets:					
Cash and investments			763,621	1,068,946	1,365,844
Cash and investments with fiscal agents	12,586	115,706	95,200	90,858	86,200
Total Assets	**$30,845,238**	**$31,422,599**	**$33,408,159**	**$34,578,859**	**$32,916,299**
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	$2,174,626	$1,756,755	$1,616,499	$2,851,147	$1,906,444
Accrued payables	2,564,512	12,597	4,690	67,989	94,268
Management loan payable	108,224	-	-		-
Accrued payroll	-	460,171	470,299	481,256	607,299
Payroll liabilities	-	759,999	996,464	1,207,584	1,007,553
Unearned revenues	733,511	1,128,992	1,127,016	1,049,034	46,420
Deposits payable	1,267,987	1,753,305	2,090,239	2,297,045	2,009,612
Due to other funds	-	-	-	-	-
Interest payable	-	115,706	95,200	90,775	86,200
Total Liabilities	**$6,848,860**	**$5,987,525**	**$6,400,407**	**$8,044,830**	**$5,757,796**
Deferred Inflow of Resources:					
Unavailable revenues	246,097	387,439	135,698	79,433	472,418
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	7,167	22,915
Prepaid costs	82,138	133,786	753,765	684,023	50,207
Notes and loans	3,771,864	1,546,266	1,494,268	-	-
Advances to other funds	-	-	-	-	-
Restricted for:					
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Capital projects	-	-	-	-	-
Post-employment benefits	-	-	763,621	1,068,946	1,365,844
Debt service	12,586	-			-
Committed to:					
Capital projects	-	-	-	-	-
School safety/security			1,000,000	-	-
Assigned to City retirement plans	-	-	-	-	130,114
Unassigned	19,883,693	23,367,583	22,860,400	24,694,460	25,117,005
Total Fund Balances	**$23,750,281**	**$25,047,635**	**$26,872,054**	**$26,454,596**	**$26,686,085**
Total Liabilities, Deferred Inflow of Resources and Fund Balances	**$30,845,238**	**$31,422,599**	**$33,408,159**	**$34,578,859**	**$32,916,299**

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020" herein. See Notes to Financial Statements for additional obligations of the City. General Fund revenues for fiscal years ended June 30, 2016 through 2020, are shown below, compiled from the City's audited financial statements.

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

TABLE 5
City of Manhattan Beach
General Fund Revenues

	Fiscal Year Ended June 30				
Source:	***2016***	***2017***	***2018***	***2019***	***2020***
Property Tax	$26,344,276	$28,215,709	$30,318,225	$32,107,341	$34,002,017
Other Taxes (Sales, Hotel, Business License)	19,818,435	19,441,259	18,905,654	20,164,760	18,042,366
Licenses and Permits (Building, Construction, Film Permits)	2,796,838	2,703,626	3,365,669	3,048,263	2,572,460
Fines (Parking Citations, Vehicle Code Fines)	2,503,274	2,494,090	2,472,310	1,963,412	1,925,543
Interest and Rents (including Ground Leases)	3,717,747	3,455,654	2,746,518	5,304,823	4,875,067
Received From Other Agencies (Vehicle License Fees, Grants)	524,218	315,831	363,670	355,520	455,990
Service Charges (Plan Check Fees, P&R Class, Ambulance Fees)	6,572,389	8,019,934	9,075,601	8,412,968	7,103,286
Interfund Charges (Admin Service Charge)	2,996,532	2,996,532	3,180,389	3,663,481	3,569,704
Miscellaneous	1,494,448	1,709,522	1,180,783	1,112,149	879,335
Total	$66,768,157	$69,352,157	$71,608,819	$76,132,717	$73,425,768

Source: City of Manhattan Beach

The following table shows a breakdown of particular tax revenues.

TABLE 6
City of Manhattan Beach
General Fund Tax Revenues
Fiscal Year Ended June 30

Source:	***2016***	***2017***	***2018***	***2019***	***2020***
Property Tax, levied for general purposes	$26,344,276	$28,215,709	$30,318,225	$32,107,341	$34,002,017
Transient Occupancy Tax[1]	4,409,227	4,428,870	3,764,684	4,359,028	3,576,759
Sales Tax	9,348,605	8,962,617	8,970,809	9,339,305	8,407,953
Franchise Taxes	1,439,957	1,256,125	1,262,037	1,234,752	1,167,345
Business License Tax	3,475,792	3,658,194	3,718,418	4,053,020	3,652,228
Other Taxes	1,144,854	1,135,453	1,189,706	1,178,655	1,238,081
Motor Vehicle in Lieu	14,430	15,812	18,680	17,276	28,431
Homeowner Property Tax	149,503	150,544	150,422	147,608	145,181
Total	$46,326,644	$47,823,324	$49,392,981	$52,436,985	$52,217,995

(1) Includes Vacation Rental Transient Occupancy Tax.
Source: City of Manhattan Beach

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.

Set forth in the table below is a listing of the assessed valuations on taxable property in the City.

TABLE 7
City of Manhattan Beach
Total Assessed Value

Fiscal Year Ended June 30	***Residential Property***	***Commercial Property***	***Industrial Property***	***Other Property***	***Total Assessed Value***
2012	$10,639,403,753	$900,787,632	$355,749,068	$624,994,067	$12,520,934,520
2013	11,115,348,658	873,633,618	273,166,539	782,689,333	13,044,838,148
2014	11,778,259,052	922,429,548	275,869,861	810,528,769	13,787,087,230
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	18,693,054,628	1,319,603,226	495,751,708	1,056,691,374	21,565,100,936

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, 2021, 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 8
City of Manhattan Beach
Principal Property Taxpayers
Fiscal Year 2020-21

Taxpayer	***Category***	***Net Value***	***Percentage of Total Assessed Valuation***
MBS Media Campus	Industrial	$ 341,676,572	1.58%
Northrop Grumman Systems Corp	Industrial	211,456,904	0.98
Rreef America Relt II Corporation	Commercial	186,507,949	0.86
Manhattan Beach Hotel Owner	Commercial	116,440,432	0.54
ONNI Manhattan Towers LP	Commercial	108,911,775	0.51
Parstem Realty Company Inc	Commercial	76,783,735	0.36
WH Manhattan Beach LP	Commercial	57,562,719	0.27
Skechers USA Inc	Commercial	57,458,347	0.27
Coastal Market Plaza LLC	Commercial	53,040,000	0.25
1000 Cherry OCA LLC	Commercial	50,499,385	0.23
Top Ten Total		$ 1,260,337,818	5.84%
City Total		$ 21,565,100,936	

Source: County of Los Angeles

Construction

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

TABLE 9
City of Manhattan Beach
Construction Values
(Fiscal Years 2011-20)

	Residential Construction		*Commercial Construction*	
Fiscal Year	***Number of Permits***	***Total Value***	***Number of Permits***	***Total Value***
2011	1,023	$58,150,910	297	$12,388,604
2012	1,103	64,987,984	385	25,229,904
2013	1,320	92,943,546	227	13,254,672
2014	1,651	90,825,222	174	14,428,796
2015	1,411	109,926,628	238	37,010,740
2016	1,491	151,139,373	189	29,538,933
2017	1,274	105,679,317	252	25,315,010
2018	1,509	130,387,762	386	104,600,434
2019	2,274	130,610,222	318	53,781,075
2020	2,236	102,942,214	257	46,133,340

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/appliances, 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 10
City of Manhattan Beach
Taxable Sales
(Calendar Years 2015-19)
(In Thousands)

	2015	***2016***	***2017***	***2018***	***2019***
Apparel Stores	$75,919	$74,515	$77,995	$78,622	$78,443
General Merchandise	102,310	101,038	96,353	96,372	96,939
Food Stores	33,110	34,634	33,270	33,882	36,633
Eating and Drinking Establishments	200,840	202,915	202,646	205,363	206,532
Building Materials	2,605	2,623	2,829	4,122	4,083
Service Stations	37,000	31,670	32,992	36,706	36,052
Other Retail Group	295,157	303,311	308,555	309,131	303,700
All Other Outlets	176,347	154,628	148,764	161,173	184,773
Total	**$923,288**	**$905,334**	**$903,404**	**$925,371**	**$947,155**
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%

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 11
City of Manhattan Beach
Direct and Overlapping Debt
(As of July 1, 2021)

2020-21 Assessed Valuation: $21,235,867,296

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 7/1/21	
Metropolitan Water District	0.651%	$ 174,663	
El Camino Community College District	16.721	73,921,084	
Manhattan Beach Unified School District	99.998	188,692,640	
City of Manhattan Beach 1915 Act Bonds	100.	18,170,000	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$280,958,387	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Los Angeles County General Fund Obligations	1.243%	$32,548,045	
Los Angeles County Superintendent of Schools Certificates of Participation	1.243	56,748	
City of Manhattan Beach General Fund Obligations	**100.**	**19,060,000**	(1)
City of Manhattan Beach Pension Obligation Bonds	**100.**	**91,275,000**	
Los Angeles County Sanitation District No. 5 Authority	0.299	12,260	
Los Angeles County Sanitation District No. 18 Authority	0.792	11,105	
Los Angeles County Sanitation District South Bay Cities Authority	41.601	290,735	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$143,253,893	
COMBINED TOTAL DEBT		$424,212,280	(2)

(1) Includes the 2012 Certificates to be refunded; excludes issue to be sold; and excludes the $7,440,000 Certificates of Participation (Fire Station #2) Series 2021 issued on August 17, 2021. See “Outstanding General Fund Debt and Lease Obligations” below.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2020-21 Assessed Valuation:
Combined Direct Debt ($110,335,000) 0.52%
Total Overlapping Tax and Assessment Debt 1.32%
Combined Total Debt 2.00%

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 remaining average annual debt service payment is approximately $846,500.

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 remaining average annual debt service payment is approximately $728,500.

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 $482,000.

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 $405,000.

Following is a summary of the principal amounts of the City's outstanding long-term obligations payable from the General Fund as of October 1, 2021.

TABLE 12
Outstanding Principal Amounts of
Long Term Obligations
(As of October 1, 2021)

2016 Marine Ave Certificates	$ 4,730,000
2013 Police & Fire Facility Refunding Certificates	6,635,000
2012 Metlox Parking/Water Wastewater Refunding Certificates	7,695,000
2021 POBs	91,275,000
2021 Fire Station #2 Certificates	7,440,000
Total	$117,775,000

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.

Potential Costs Related to Storm Water Improvements

In connection with increasing regulatory focus on mitigating storm water runoff and resulting discharge of pollutants into the Pacific Ocean, in June 2015, the City, in cooperation with the cities of Hermosa Beach, Redondo Beach and Torrance, along with the Los Angeles County Flood Control District (collectively, the "Beach Cities") submitted an Enhanced Watershed Management Program ("EWMP"), as part of the City's compliance with the City's National Pollution Discharge Elimination System Permit ("NPDES Permit").

The most significant component of the EWMP was the development of a list of projects that would achieve the desired pollutant reduction levels as required by the Los Angeles Regional Water Quality Control Board (the "Regional Board"). The preliminary estimates of the total construction cost (for all of the Beach Cities) prepared in 2015 connection with the EWMP range from approximately $54.6 million to $101 million, with estimated annual operating costs ranging from $1.3 million to $2.1 million. Certain environmental groups have brought actions challenging the EWMP, generally asserting that the requirements of the EWMP are not sufficiently protective of water quality. The City, together with 19 other cities in Los Angeles County is defending itself in this action.

The Beach Cities' individual contributions would be based on their relative proportional geographic tributary area. Preliminary estimated lifecycle construction costs through 2032 for the City range from $10.7 million to $22.3 million, with estimated annual operations and maintenance costs ranging from $185,000 to $315,000. The particular projects and monitoring to be undertaken by the Beach Cities is set forth in the Coordinated Integrated Monitoring Program ("CIMP"), which was most recently revised in July 2018. The combined current cost for the CIMP is approximately $315,000 annually The Beach Cities' individual contributions are based on the relative proportional geographic tributary area.

In 2018 Measure W, voters in the Los Angeles County Flood Control District, which covers the majority of Los Angeles County (including the City) approved a parcel tax for storm water projects, infrastructure, and programs. The City expects to receive approximately $410,000 annually from Measure W funds. Despite the Measure W funding, the Beach Cities (including the City) do not have sufficient funds to implement all of the projects set forth in the EWMP. Since a funding plan is not required as a Permit requirement, the development of the EWMP in 2015 kept the Beach Cities in compliance with the Permit. However, funding remains a large issue that must be resolved in order to comply with the pollutant reduction deadlines identified in the EWMP. The City is exploring various sources of funding, including grants, voter-approved bonds, storm water assessments, and potential cost recovery from the State of such costs as an unfunded mandate. The City and Beach Cities intend to apply for regional funding for projects identified in the EWMP.

There can be no assurances that compliance with the EWMP (or potential penalties resulting from failure to comply) and the NPDES Permit will not require expenditures of significant amounts from the General Fund in the future.

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 September 30, 2021, 34% of the portfolio consisted of federal agency notes and U.S. Treasury securities, 11% in high grade corporate notes, and 55% in cash or invested in liquid state investment pools. The average maturity of the portfolio was 362 days. As of September 30, 2021 the market value of the City's investment portfolio was $131,313,351 and the investment portfolio's book value was $129,901,234. The following table summarizes certain information relating to the City's investment portfolio as of September 30, 2021:

TABLE 13
City of Manhattan Beach
Investment Portfolio Summary
(as of September 30, 2021)

Type of Investment	*Book Value*
Cash	$ 3,874,711
Local Government Fund	68,000,000
US Treasury and Agency Note	44,073,134
Medium Term Note	13,953,389
Total	$ 129,901,234

The portfolio represents cash and investments across several funds. The General Fund represents approximately 19.6% of the total portfolio and the general Capital Improvement Projects Fund approximately 5.0%; the Underground Assessment Districts Fund approximately 3.1%; the Fire Station No. 2 Construction Fund approximately 6.4%; the Insurance Reserve Fund approximately 12.0%; the Water, Stormwater and Wastewater Utility Funds approximately 38.6%; and various Street and Road Funds (e.g. Gas Tax, Prop A, Prop C, Measure R, and Measure M) together total about 5.2%. The remaining funds comprise 10.1% 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 9

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). Subsequently, the Fire Management Association entered into a 3% cost sharing agreement in fiscal year 2020-2021.

See Note 9 in Appendix A – "CITY OF MANHATTAN BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020" for number of participants currently in the City's CALPERS retirement plans, as well additional information relating to benefits provided. Note 9 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 2016-17 through 2019-20, as well as expected contributions for Fiscal Year 2020-21.

TABLE 14
Historical Payments to PERS
Fiscal Year Ending June 30

	2017	*2018*	*2019*	*2020*	*2021 (Estimated)*
Police					
Employee	$914,181	$984,136	$993,418	$1,061,170	$1,041,717
Employer	2,868,255	2,965,431	3,403,805	4,006,527	4,355,665
Subtotal	$3,782,436	$3,949,567	$4,397,223	$5,067,697	$5,397,382
Fire					
Employee	$496,957	$578,249	$579,288	$586,073	$640,363
Employer	1,354,517	1,470,599	1,694,338	1,991,224	2,143,137
Subtotal	$1,851,474	$2,048,848	$2,273,626	$2,577,297	$2,783,500
Misc					
Employee	$1,046,851	$1,085,062	$1,137,204	$1,150,678	$1,232,310
Employer	2,253,184	2,397,805	2,828,620	3,194,528	3,442,669
Subtotal	3,300,035	3,482,867	3,965,824	4,345,206	4,674,979
Total	$8,933,945	$9,481,282	$10,636,673	$11,990,200	$12,855,861

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. Assuming that actuarial assumptions are realized (including the currently assumed investment rate of 7.0% annually), the CalPERS valuations projects that by

Fiscal Year 2024-2025, pension costs will increase by approximately $4.5 million. These estimates were prepared in connection with the consideration of the Fiscal Year 2020-21 budget, and do not reflect any savings expected to result from the issuance of the 2021 POBs. 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 2015-16 through 2019-20, as of a June 30 actuarial valuation date. The information in the following tables relating to the City's unfunded liability do not reflect the issuance of the 2021 POBs and payment to CalPERs of the-then outstanding unfunded liability as of May 12, 2021.

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 15A
Funding History – Classic Police Plan

Valuation Date	Accrued Liability	Share of Pool's Market Value of Assets	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2016	$117,563,901	$83,720,446	$33,843,455	71.2%	$8,359,313
6/30/2017	127,703,281	93,248,395	34,454,886	73.0	7,917,240
6/30/2018	139,625,908	99,840,670	39,785,238	71.5	7,073,910
6/30/2019	144,642,132	102,702,043	41,940,089	71.0	7,156,147
6/30/2020	148,190,524	102,762,506	45,428,018	69.3	7,104,929

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2020.

TABLE 15B
Funding History – PEPRA Police Plan

Valuation Date	Accrued Liability	Share of Pool's Market Value of Assets	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2016	$106,902	$98,242	$8,660	91.9%	$417,816
6/30/2017	225,489	215,603	9,886	95.6	463,567
6/30/2018	409,690	377,401	32,289	92.1	651,624
6/30/2019	667,743	611,852	55,891	91.6	1,051,926
6/30/2020	1,072,920	978,435	94,485	91.2	1,547,688

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2020.

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 15C
Funding History – Classic Fire Plan

Valuation Date	Accrued Liability	Share of Pool's Market Value of Assets	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2016	$59,357,799	$43,859,609	$15,498,190	73.9%	$4,687,123
6/30/2017	63,162,015	47,397,072	15,764,943	75.0	4,800,751
6/30/2018	67,524,160	49,151,848	18,372,312	72.8	4,712,888
6/30/2019	69,653,716	50,184,608	19,469,108	72.0	4,978,563
6/30/2020	73,083,241	51,252,092	21,831,149	70.1	4,615,865

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2019.

TABLE 15D
Funding History – PEPRA Fire

Valuation Date	Accrued Liability	Share of Pool's Market Value of Assets	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2016	$1,861	$1,725	$136	92.7%	$95,245
6/30/2017	21,904	21,252	652	97.0	101,828
6/30/2018	58,921	54,286	4,635	92.1	115,676
6/30/2019	96,527	89,587	6,940	92.8	125,183
6/30/2020	127,540	115,984	11,556	90.9	128,235

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2020.

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 15E
Funding History – Miscellaneous Plan

Valuation Date	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2016	$94,852,959	$72,288,635	$22,564,324	76.2%	$15,583,576
6/30/2017	101,777,956	79,616,300	22,161,656	78.2	16,114,517
6/30/2018	112,239,423	85,430,559	26,808,864	76.1	16,285,630
6/30/2019	118,377,736	90,121,723	28,256,013	76.1	17,004,416
6/30/2020	123,888,024	93,709,313	30,178,711	75.6	16,748,931

Source: CalPERS Actuarial Valuation for the Fiscal Year ended June 30, 2020.

Unfunded Pension Liability Policy

On March 2, 2021, in connection with the issuance of the 2021 POBs, 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 that any savings realized from the issuance of the 2021 POBs, as determined by comparing debt service on the 2021 POBs and fiscal year 2020-2021 CalPERS actuarial determined contributions, will be allocated as follows: approximately 60% of the savings will be used to offset future unfunded liability costs and approximately 40% of the savings will be used for 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 in 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 2019-20, the City paid $159,097 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 2019-20, the City contribution paid to PERS for PEMCHA was $150,848. For active employees, the City paid $4,286,341 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 2019, the City paid $315,517 for retiree medical benefits and was reimbursed $315,517 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 11 in in "APPENDIX A - CITY OF MANHATTAN BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020," the City's Net OPEB liability as of June 30, 2019 (the last year for which the Net OPEB liability is available) was approximately $7.5 million. The increase from the June 30, 2018 Net OPEB liability of approximately $(4.0) million was primarily due to a change in the accounting discount rate from 6.50% to 4.00%.

For a detailed description of the City's pension and OPEB obligations, see Note 11 in "APPENDIX A - CITY OF MANHATTAN BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020."

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 95% of counties, 70% of 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 it is probable that 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, 2020, the amount of these liabilities was $17,621,326. The amount represents an estimate of $10,888,518 for reported claims through June 30, 2020, and $6,732,808 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 13 in "APPENDIX A - CITY OF MANHATTAN BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020."

Public Utilities

Electrical service is provided by Southern California Edison; Southern California Gas provides natural gas. The City is served by Verizon and Time Warner 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 water supply wells and approximately 112 miles of water distribution pipelines. The City wastewater system includes gravity lines, manholes, pumping stations and force mains and serves the majority of the area within the City.

Community Facilities

There are forty acres of recreational beach area and a pier along the shoreline of the City. Two community centers are available within the City. The Parks & Recreation Department provides an array of facilities that include athletic fields, tennis, paddle tennis, volleyball and basketball courts, jogging and bike paths, swimming pool, and dozens of sports programs and fitness classes. Throughout the City there are 11 parks providing 80 acres of parkland including 18 ball fields, 5 batting cages, 18 tennis courts (including 2 paddle tennis courts), 4 racquetball courts, 3 basketball courts, 2 par golf courses, a 1.7-mile jogging path, a 9-hole golf course and a large recreational pool. At Mira Costa High School, in addition to athletic fields and tennis courts, facilities available for public use include a gymnasium and track. Also located within the City is a 2-mile walking and jogging path that runs parallel to a bike path along the beach. Stretching along the beach spanning north and south of the Manhattan Beach Pier are over 150 volleyball courts which are also available for private or public use. The County of Los Angeles maintains the beaches and one library.

State legislation (Senate Bill 796) has been enacted which is intended to facilitate the transfer of certain land in the City currently owned by the County of Los Angeles (referred to as "Bruce's Beach") to the heirs of the Bruce family (which owned the land until 1929). Although City funds would not be used directly for any transaction involving that property, the City might incur costs to process an application for a zone change, if the County transfers the land to the heirs, and the heirs apply to change the zoning to residential use. The City has had no proprietary interest in the property since the late 1940s. The City presently does not expect that there would be any material adverse effect to the General Fund relating to any potential transfer of Bruce's Beach.

RISK FACTORS

Prospective purchasers of the 2021 Certificates should carefully consider all possible factors that may affect the ability of the City to make Lease Payments. The 2021 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 2021 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 2021 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 Agreement, the Corporation will not have any obligation or liability to the Owners of the 2021 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 Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

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, 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 is 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 2021 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 2021 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 Agreement, for nonpayment under such circumstances.

Notwithstanding the foregoing provisions of the Lease Agreement and the Trust Agreement specifying the extent of abatement in the event of the City' 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 2021 Certificates remaining Outstanding.

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, 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."

COVID-19

The COVID-19 pandemic significantly impacted state and local economies, and City revenues. Although the impacts of the pandemic are abating, any resurgence of the pandemic could materials adversely impact the City's financial condition.

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. The COVID-19 pandemic adversely impacted sales and transient occupancy taxes. See the caption "THE CITY—COVID-19 Outbreak," "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 XIIIC 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 XIIIA 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 2021 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. The City notes that pension contributions in future years may increase as a result of losses in CalPERS' portfolio resulting from stock market declines in the wake of the COVID-19 outbreak. See the captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City." 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, including as a result of the COVID-19 outbreak that is discussed under the captions "THE CITY—COVID-19 Outbreak" and "RISK FACTORS—Impacts and Potential Impacts of COVID-19 on the City," 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. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION."

No Reserve Fund

The City has not funded a reserve fund in connection with the issuance of the 2021 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 2021 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.

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 believes its efforts have positioned it with state requirements for renewable energy (SB 100), waste diversion (AB 341) and climate adaptation (SB 379).

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.

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, including as a result of the COVID-19 outbreak that is discussed under the caption "THE CITY—COVID-19 Outbreak," 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 2021 Certificates. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION" for information about the State's economy and State budget.

Bankruptcy

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement, 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 2021 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 2021 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 2021 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 2021 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 Agreement. 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 2021 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 2021 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 2021 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 2021 Certificates, to alter the priority, interest rate, payment terms, maturity dates, payment sources, covenants, and other terms or provisions of the Trust Agreement, the Lease Agreement and the 2021 Certificates, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the 2021 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 2021 Certificates, or result in losses to the Holders of the 2021 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 2021 Certificates.

The opinion to be delivered by Bond Counsel concurrently with the execution and delivery of the 2021 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 2021 Certificates will be similarly qualified. See Appendix E. In the event that the City fails to comply with its covenants under the Trust Agreement or fails to make Lease Payments as and when due in amounts sufficient for the Corporation to pay debt service payments on the 2021 Certificates, there can be no assurance of the availability of remedies adequate to protect the interest of the Beneficial Owners of the 2021 Certificates.

Limitations on Remedies

The rights of the Owners of 2021 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.

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 2021 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 Agreement 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 Agreement 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 Agreement.

Limited Secondary Market

Investment in the 2021 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 2021 Certificates should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the 2021 Certificates or, if a secondary market exists, that the 2021 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 2021 Certificates. Any material failure to comply with such undertaking and Rule 15c2-12 in the future may adversely affect the liquidity of the affected 2021 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 2021 Certificates.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA 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 XIIIA 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 XIIIA 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 XIIIA (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 XIIIA 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 XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, 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 XIIIB of the State Constitution

On November 6, 1979, State voters approved an initiative entitled "Limitation on Government Appropriations," which added Article XIIIB to the State Constitution. Under Article XIIIB, 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 XIIIB 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 XIIIB, 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 XIIIB 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 XIIIB 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 XIIIA; (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 XIIIC and XIIID 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 XIIIA 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 XIIIC 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 XIIID. 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 XIIIA and XIIIB 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, a Professional Corporation, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, interest with respect to the 2021 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 with respect to the 2021 Certificates is exempt from State of California personal income tax.

The difference between the issue price of a 2021 Certificate (the first price at which a substantial amount of the 2021 Certificates of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2021 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 2021 Certificate before receipt of cash attributable to such excludable income (with respect to the 2021 Certificates). The amount of original issue discount deemed received by the owner of a 2021 Certificate will increase the owner's basis in the 2021 Certificate. In the opinion of Special Counsel original issue discount that accrues to the owner of a 2021 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 corporations, 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 2021 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 2021 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 2021 Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the 2021 Certificates. The City and the Corporation have covenanted to comply with all such requirements applicable to each, respectively.

The amount by which a 2021 Certificate Owner's original basis for determining loss on sale or exchange in the applicable 2021 Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2021 Certificate premium, which must be amortized under Section 171 of the Code; such amortizable 2021 Certificate premium reduces the 2021

Certificate Owner's basis in the applicable 2021 Certificate (and the amount of tax-exempt interest received with respect to the 2021 Certificates), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2021 Certificate premium may result in a 2021 Certificate Owner realizing a taxable gain when a 2021 Certificate is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2021 Certificate to the Owner. Purchasers of the 2021 Certificates should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable 2021 Certificate premium.

SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE 2021 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 WITH RESPECT TO THE OR THE MARKET VALUE OF THE 2021 CERTIFICATES. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2021 CERTIFICATES. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2021 CERTIFICATES. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE 2021 CERTIFICATES, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2021 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 2021 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 Agreement, 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, a Professional Corporation.

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 2021 Certificates will be selected for audit by the IRS. It is also possible that the market value of the 2021 Certificates might be affected as a result of such an audit of the 2021 Certificates (or by an audit of similar securities).

Although Special Counsel has rendered an opinion that the interest (and original issue discount) with respect to the 2021 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 2021 Certificates and the accrual or receipt of interest (and original issue discount) with respect to the 2021 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 2021 Certificates, all potential purchasers should consult their tax advisors with respect to collateral tax consequences with respect to the 2021 Certificates.

The form of Special Counsel's proposed opinion with respect to the 2021 Certificates is attached hereto in Appendix C.

CERTAIN LEGAL MATTERS

The validity of the 2021 Certificates and certain other matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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, a Professional Corporation, Disclosure Counsel to the City, for the Corporation by Counsel to the Corporation and for the Underwriter by its counsel, Katten Muchin Rosenman LLP.

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 2021 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 2021 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 2021 Certificates or the use of the proceeds of the 2021 Certificates.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the 2021 Certificates, Causey Demgen & Moore P.C.,, independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the direct obligations of the United States of America and the interest thereon to pay when due the prepayment price, interest due to and to become due with respect to the 2012 Certificates on and prior to the specified respective prepayment dates thereof.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee or the holders of the 2021 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 2021 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, 2020, which are included as Appendix A hereto, have been audited by Lance, Soll & Lunghard, LLP, an independent auditor, as stated in their report appearing in Appendix A hereto. Lance, Soll & Lunghard, 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 Lance, Soll & Lunghard, 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 2021 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, 2022 with respect to the Annual Report for Fiscal Year 2020-21, 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 2021 Certificates. The provisions of the Disclosure Certificate are intended to be for the benefit of the owners of the 2021 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 2021 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 Agreement.

In connection with certain undertakings of the City in connection with certain obligations secured solely by particular assessments in limited assessment areas (formed for the purposes of placing utility lines underground), the annual report filed in 2017 did not include certain specific information required by the related undertakings (relating to delinquencies with respect to particular parcels in the assessment areas). A corrective filing was subsequently made.

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, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of ["AA+"] to the 2021 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 2021 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 2021 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 2021 Certificates for an aggregate purchase price of $__________, representing the aggregate principal amount of the 2021 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 2021 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 2021 Certificates.

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

CITY OF MANHATTAN BEACH

By: ______________________________

Bruce Moe
City Manager

APPENDIX A

CITY OF MANHATTAN BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

PROPOSED FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

City of Manhattan Beach
Manhattan Beach, California

Manhattan Beach Capital
Improvements Corporation
Manhattan Beach, California

Ladies and Gentlemen:

We have acted as Special Counsel to the City of Manhattan Beach (the "City") in connection with the execution and delivery of the $____ Refunding Certificates of Participation (Fire Station #2) Series 2021 (the "Certificates"), representing proportionate undivided interests of the owners thereof in the Lease Payments to be made under a Lease Agreement, dated as of December 1, 2021 (the "Lease"), by and between the City, as lessee, and the Manhattan Beach Capital Improvements Corporation (the "Corporation"), as lessor, (, the "Lease"). The Certificates are being executed and delivered pursuant to the Trust Agreement, dated as of December 1, 2021, by and among the City, the Corporation and U.S. Bank National Association, as trustee (the "Trustee") ("Trust Agreement"). All capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Trust Agreement and the Lease.

In such connection, we have reviewed: the Trust Agreement; the Lease; the Site and Facilities Lease, dated as of December 1, 2021, by and between the City and the Corporation (the "Site Lease"), between the Corporation and the City, the Tax Certificate of the City, dated as of the date hereof (the "Tax Certificate"); an opinion of the City Attorney; an opinion of counsel to the Trustee with respect to the Trustee; and certifications of the City, the Corporation, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Certificates has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City and the Corporation. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions delivered in connection with the execution and delivery of the Certificates. Furthermore, we have assumed compliance with all covenants and agreements contained in the Lease, the Site Lease, the Trust Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the portion of Lease Payments due under the Lease designated as and comprising interest with respect to the Certificates to be included in gross income for federal income tax purposes.

Based on the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Site Lease and the Lease have been duly authorized, executed and delivered by the City and the Corporation and constitute valid and legally binding obligations of the City and the Corporation, enforceable in accordance with their terms.

2. The Trust Agreement has been duly authorized, executed and delivered by the City and the Corporation and constitutes a valid and legally binding obligation of the City and the Corporation, enforceable in accordance with its terms, and the Certificates are entitled to the benefits of the Trust Agreement.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of Lease Payments due under the Lease designated as and comprising interest with respect to the 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.

4. The difference between the issue price with respect to a Certificate (the first price at which a substantial amount of the Certificates of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Certificate constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Certificate Owner will increase the Certificate Owner's basis in the Certificate. In the opinion of Special Counsel, the amount of original issue discount that accrues to the owner of the 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.

5. The amount by which a Certificate Owner's original basis for determining loss on sale or exchange in the applicable Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Certificate Owner's basis in the applicable Certificate (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Certificate premium may result in a Certificate Owner realizing a taxable gain when a Certificate is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Certificate to the Owner. Purchasers of the Certificates should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

In rendering the opinions in paragraphs 3, 4, and 5 we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate with respect to the use of proceeds of the Certificates and the investment of certain funds, and other matters affecting the non-inclusion of the portion of Lease Payments due under the Lease designated as and comprising interest with respect to the Certificates in gross income for Federal income tax purposes under Section 103 of the Code, and (ii) compliance by the City with procedures and covenants set forth in the Tax Certificate and with the tax covenants set forth in the Lease as to such matters. Under the Code, failure to comply with such procedures and covenants may cause the portion of Lease Payments due under the Lease designated as and comprising interest with respect to the Certificates to be included in gross income for Federal income tax purposes, retroactive to the date of execution and delivery of the Certificates, irrespective of the date on which such noncompliance occurs or is ascertained.

6. Under existing statutes, the portion of Lease Payments due under the Lease designated as and comprising interest with respect to the Certificates is exempt from State of California personal income tax.

Except as stated in paragraphs 3, 4, 5, and 6 above, we express no opinion as to any Federal, state or local tax consequences arising with respect to the Certificates or the ownership or disposition thereof. Certain agreements, requirements and procedures contained or referred to in the Site Lease, the Lease Agreement, the Assignment Agreement and the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, prepayment of the Lease) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion herein as to the effect on the exclusion from gross income for federal income tax purposes of the portion of each Base Rental Payment under the Lease Agreement designated as and constituting interest if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We undertake no responsibility as Special Counsel for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Certificates and express herein no opinion relating thereto.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason. Our engagement as Special Counsel terminates upon the execution and delivery of the Site Lease, Lease Agreement and Assignment Agreement.

The foregoing opinions are qualified to the extent that the enforceability of the Certificates, the Trust Agreement, the Lease, the Site Lease and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the Site Lease or the Lease Agreement, or the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Trust Agreement, the Lease Agreement or the Site Lease, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens, on any such property.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. Our services did not include financial or other non-legal advice.

Very truly yours,

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 2021 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 2021 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 2021 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. 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 redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. 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.

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

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).

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

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 redemption 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.