

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2019****NEW ISSUE – BOOK ENTRY ONLY****RATING: S&P: \_\_\_\_\_  
See the caption “RATING”**

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the 2019 Bonds 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 Bond Counsel, interest (and original issue discount) on the 2019 Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS.”*

\$ \_\_\_\_\_

**CITY OF CULVER CITY  
WASTEWATER FACILITIES REVENUE BONDS,  
2019 SERIES A**

**Dated: Date of Issuance****Due: September 1, as set forth on the inside front cover page**

The 2019 Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the 2019 Bonds will not receive securities representing their beneficial ownership in the 2019 Bonds purchased. Interest on the 2019 Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2020, until the maturity of the 2019 Bonds. The principal of and interest on the 2019 Bonds are payable by the Trustee to Cede & Co. and such interest and principal payments are to be disbursed to the Beneficial Owners of the 2019 Bonds through their nominees.

**The 2019 Bonds are subject to optional and mandatory sinking fund redemption as more fully described in this Official Statement.**

The 2019 Bonds are being issued to provide funds, together with certain other moneys: (i) to redeem all of the outstanding City of Culver City Wastewater Facilities Refunding Revenue Bonds, 2009 Series A; (ii) to finance certain capital improvements to the Sewer System of the City; and (iii) to pay costs of issuance of the 2019 Bonds, all as more fully described in this Official Statement.

The 2019 Bonds are being issued pursuant to the Indenture of Trust, dated as of \_\_\_\_\_ 1, 2019, by and between the City and U.S. Bank National Association, as trustee. The 2019 Bonds are limited obligations of the City payable solely from Net Revenues, which consist of Revenues of the City's Sewer System remaining after payment of Operation and Maintenance Costs, and from amounts on deposit in certain funds and accounts created under the Indenture. No reserve fund will be established for the 2019 Bonds.

The City may incur additional obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2019 Bonds, subject to the terms and conditions of the Indenture, as more fully described in this Official Statement.

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2019 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY GENERAL TAXES OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY GENERAL TAXES. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2019 BONDS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

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MATURITY SCHEDULE – See Inside Front Cover Page

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*The 2019 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the 2019 Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and by the City Attorney, for the Underwriter by its counsel, Nixon Peabody LLP, and for the Trustee by its counsel. It is anticipated that the 2019 Bonds will be available for delivery through the facilities of The Depository Trust Company on or about \_\_\_\_\_, 2019.*

**STIFEL**

Dated: \_\_\_\_\_, 2019

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\* Preliminary, subject to change.

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

# MATURITY SCHEDULE

BASE CUSIP®\* \_\_\_\_\_

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

## CITY OF CULVER CITY WASTEWATER FACILITIES REVENUE BONDS, 2019 SERIES A

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP®† Suffix</i>
2020	\$	%	%		
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
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2047					
2048					
2049					

\$\_\_\_\_\_ % Term Bonds Due September 1, 20\_\_ Yield: \_\_\_\_\_ % Price: \_\_\_\_\_ CUSIP No. \_\_\_\_\_†

\* Preliminary, subject to change.

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**CITY OF CULVER CITY  
COUNTY OF LOS ANGELES  
STATE OF CALIFORNIA**

**CITY COUNCIL**

Meghan Sahli-Wells, Mayor  
Göran Eriksson, Vice Mayor  
Alex Fisch, Council Member  
Daniel Lee, Council Member  
Thomas Aujero Small, Council Member

**STAFF**

John M. Nachbar, City Manager  
Onyx Jones, Chief Financial Officer/Treasurer  
Carol A. Schwab, Esq., City Attorney  
Charles D. Herbertson, P.E., L.S., Public Works Director/City Engineer

**SPECIAL SERVICES**

**Bond Counsel and Disclosure Counsel**

Stradling Yocca Carlson & Rauth, a Professional Corporation  
Newport Beach, California

**Municipal Advisor**

Urban Futures, Inc.  
Tustin, California

**Trustee and 2009 Trustee**

U.S. Bank National Association  
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. 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 2019 Bonds 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 of the 2019 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from official sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2019 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2019 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE 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. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

*The 2019 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The 2019 Bonds have not been registered or qualified under the securities laws of any state. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such act.*

The City maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2019 Bonds.

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## SUMMARY STATEMENT

*This Summary Statement is subject in all respects to the more complete information contained in this Official Statement, and the offering of the 2019 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms that are used and not otherwise defined in this Summary Statement have the meanings ascribed to them in this Official Statement.*

**Purpose.** The 2019 Bonds are being issued to provide funds, together with certain other moneys: (i) to redeem all of the outstanding City of Culver City Wastewater Facilities Refunding Revenue Bonds, 2009 Series A; (ii) to finance certain capital improvements to the Sewer System of the City; and (iii) to pay costs of issuance of the 2019 Bonds, all as more fully described herein. See the captions “PLAN OF FINANCE—The Refunding Plan,” “—The 2019 Project” and “—Estimated Sources and Uses of Funds.”

**Security for the 2019 Bonds.** The 2019 Bonds are limited obligations of the City payable solely from Net Revenues, which consist of Revenues of the City’s Sewer System remaining after payment of Operation and Maintenance Costs, and from amounts on deposit in certain funds and accounts created under the Indenture.

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2019 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY GENERAL TAXES OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY GENERAL TAXES. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2019 BONDS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

See the caption “SECURITY FOR THE 2019 BONDS.”

**The Refunding Plan.** A portion of the proceeds of the 2019 Bonds, together with moneys held in certain funds and accounts established in connection with the 2009 Bonds, will be transferred to U.S. Bank National Association, as trustee for the 2009 Bonds, on the date of issuance of the 2019 Bonds. The amount transferred to U.S. Bank National Association will be applied on or about the date of issuance of the 2009 Bonds, to redeem the \$12,310,000 principal amount of outstanding 2009 Bonds, plus accrued interest with respect thereto. See the caption “PLAN OF FINANCE—The Refunding Plan.”

**The 2019 Project.** A portion of the proceeds of the 2019 Bonds will be deposited in the 2019 Project Fund and applied to pay the costs of certain capital improvements to the Sewer System of the City. See the caption “PLAN OF FINANCE—The 2019 Project.”

**Rate Stabilization Fund.** The City will establish, maintain and hold in trust under the Indenture a special fund designated as the “Rate Stabilization Fund.” The City will maintain and hold such fund separate and apart from other funds so long as the 2019 Bonds or any other Contracts or Bonds remain unpaid. Money transferred by the City from the Revenue Fund to the Rate Stabilization Fund in accordance with the Indenture will be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The City may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the Indenture or, in the event that all or a portion of the 2019 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application in accordance with the Indenture. Any such amounts transferred

from the Rate Stabilization Fund to the Revenue Fund in accordance with the Indenture constitute pledged Revenues.

**Rate Covenant.** In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is less than the payments of principal of and interest on the 2019 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at the commencement of each such Fiscal Year, rates and charges for the Sewer Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to 120% of Debt Service for such Fiscal Year. When calculated for the foregoing purposes, Net Revenues do not include amounts which are transferred from the Rate Stabilization Fund pursuant to the Indenture that are in excess of 20% of Debt Service for such Fiscal Year.

In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is at least equal to the payments of principal of and interest on the 2019 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at the commencement of each such Fiscal Year, rates and charges for the Sewer Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Revenues equal to 120% of the Operation and Maintenance Costs for such Fiscal Year. When calculated for purposes of this subsection, Revenues do not include any amounts which are transferred from the Rate Stabilization Fund pursuant to the Indenture.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the foregoing requirements.

See the caption “SECURITY FOR THE 2019 BONDS—Rate Covenant.”

**Additional Contracts and Bonds.** The Indenture permits the City to execute additional Contracts or to issue additional Bonds on a parity with the obligation to pay principal of and interest on the 2019 Bonds, provided that certain conditions are satisfied as described herein. See the caption “SECURITY FOR THE 2019 BONDS—Additional Indebtedness.” The Indenture also permits the City to execute or issue obligations payable on a subordinate basis to the 2019 Bonds.

**No Reserve Fund.** No reserve fund has been established in connection with the issuance of the 2019 Bonds.

**Redemption.** The 2019 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See the caption “THE 2019 BONDS—Redemption of the 2019 Bonds.”

**The City and the Sewer System.** The City was initially incorporated in 1917 under the general laws of the State. In 1947, City voters approved a charter and the City operates as a charter city. The City has a land area of approximately 5.1 square miles and an estimated population of 40,173 people as of January 1, 2019. Land use in the City is primarily residential, with areas of commercial and industrial development. See the caption “THE CITY” and Appendix A.

The City provides sewer collection service to approximately 16,932 residential and 1,456 commercial, industrial and other customers. The City’s Sewer System includes approximately 90 miles of sanitary sewer lines, 2.5 miles of sewer force mains and 7 lift stations. Wastewater collected by the City is delivered to the Hyperion Water Reclamation Plant, which is owned and operated by the City of Los Angeles. Pursuant to a contract between the City and the City of Los Angeles, the City of Los Angeles has agreed to treat all wastewater collected by the City, subject to the available capacity of the Hyperion Water Reclamation Plant. See the caption “THE SEWER SYSTEM OF THE CITY.”

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

**CITY OF CULVER CITY  
WASTEWATER FACILITIES REVENUE BONDS,  
2019 SERIES A**

**INTRODUCTION**

This Official Statement, including the front cover page, the inside front cover page and all appendices, provides certain information concerning the sale and delivery of the City of Culver City Wastewater Facilities Revenue Bonds (the “**2019 Bonds**”). The 2019 Bonds are being issued pursuant to an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2019 (the “**Indenture**”), by and between the City of Culver City (the “**City**”) and U.S. Bank National Association, Los Angeles, California, as trustee (the “**Trustee**”).

The 2019 Bonds are being issued to provide funds, together with certain other moneys: (i) to redeem all of the outstanding City of Culver City Wastewater Facilities Refunding Revenue Bonds, 2009 Series A (the “**2009 Bonds**”); (ii) to finance certain capital improvements to the Sewer System of the City (the “**2019 Project**”); and (iii) to pay costs of issuance of the 2019 Bonds. . See the captions “PLAN OF FINANCE—The Refunding Plan,” “—The 2019 Project” and “—Estimated Sources and Uses of Funds.”

The 2019 Bonds are limited obligations of the City payable solely from Net Revenues, which consist of Revenues of the City’s sanitary sewer system (the “**Sewer System**”) remaining after payment of Operation and Maintenance Costs of the Sewer System, as such terms are defined in Appendix B, and from amounts on deposit in certain funds and accounts created under the Indenture.

The City may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2019 Bonds in the future as described under the caption “SECURITY FOR THE 2019 BONDS—Additional Indebtedness.”

The 2019 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See the caption “THE 2019 BONDS—Redemption of the 2019 Bonds.”

The summaries and references to the Indenture and all documents, statutes, reports and other instruments that are referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to the full Indenture or the respective document, statute, report or instrument, copies of which are available for inspection at the offices of the City in Culver City, California or from the Trustee upon request and payment of duplication cost. The capitalization of any word that is not conventionally capitalized or otherwise defined herein indicates that such word is defined in the Indenture and, as used herein, has the meaning that is given to it in the Indenture. See Appendix B for a summary of the Indenture. Unless otherwise indicated, all financial and statistical information herein has been provided by the City.

The City regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the 2019 Bonds may obtain a copy of such reports, as available, from the Trustee or the City. Additional information regarding the Official Statement may be obtained by contacting the Trustee or the City of Culver City, 9770 Culver Boulevard, Culver City, California 90232, Attention: Finance Department.

The City has also undertaken to provide annual reports to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“**EMMA**”) pursuant to a continuing disclosure certificate. See the caption “CONTINUING DISCLOSURE” and Appendix E.

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\* Preliminary, subject to change.



## PLAN OF FINANCE

### Refunding Plan

The City issued the 2009 Bonds, which are currently outstanding in the principal amount of \$12,310,000, to redeem certain prior obligations of the City. The City plans to apply a portion of the proceeds of the 2019 Bonds, together with moneys held in certain funds and accounts established in connection with the 2009 Bonds, to pay on or about the date of issuance of the 2019 Bonds (for the purposes of this caption, the “**2009 Bonds Redemption Date**”) all outstanding amounts due on the 2009 Bonds at a redemption price equal to the outstanding principal amount thereof, plus accrued interest with respect thereto, without premium (the “**2009 Bonds Redemption Price**”).

In order to redeem the 2009 Bonds, the City will cause to be delivered a portion of the proceeds of the 2019 Bonds to U.S. Bank National Association, as trustee for the 2009 Bonds (the “**2009 Trustee**”), on or about the date of issuance of the 2019 Bonds. The 2009 Trustee will apply such moneys, together with certain moneys held by the 2009 Trustee in funds and accounts established in connection with the 2009 Bonds, to pay the 2009 Bonds Redemption Price on the 2009 Bonds Redemption Date.

As a result of the application of such moneys, the 2009 Bonds will be defeased and redeemed pursuant to the provisions thereof as of the date of issuance of the 2019 Bonds.

The portion of the proceeds of the 2019 Bonds and the moneys held by the 2009 Trustee in connection with the 2009 Bonds are pledged solely to the payment of the 2009 Bonds Redemption Price, and will not be available for the payments of principal of and interest on the 2019 Bonds.

### The 2019 Project

The 2019 Project consists of the capital improvement projects described below.

***Bankfield Sewage Pump Station (PZ-874).*** The Bankfield Sewage Pump Station consists of the design, engineering and construction of new sewer pump station at City-owned property located at 5722 Bankfield Avenue. This new pump station will consolidate and replace four existing sewer pump stations (Bristol, Fox Hills, Mesmer and Overland) and have the capacity to pump 1.3 million gallons of sewage per day. This project also includes the construction of diversion sewer pipes to the Abandon Mesmer and Overland Sewer Pump Stations (PZ-946) and the closure of the Abandon Mesmer and Overland sewer pump stations and the Fox Hills sewer pump station. The City expects to complete all components of the Bankfield Sewage Pump Station by late 2022.

The City currently expects to use proceeds of the 2019 Bonds to pay costs of the Bankfield Sewage Pump Station project. The City may decide to use all or a portion of the net proceeds of the 2019 Bonds for some or all of the following capital improvement projects instead of, or in addition to, the Bankfield Sewage Pump Station project. See the caption “THE SEWER SYSTEM OF THE CITY—Future Sewer System Improvements.”

***Pump Station Improvements (PZ-521).*** This project includes ongoing improvements for the City's sewer pump stations and SCADA and flow monitoring systems. As needed, this project will include communications installations, replacement of motor/pump sets, roofs, access doors, and rehabilitation of wet wells. Anticipated work includes upgrades to the Hayden Pump Station to move the electrical controls to above-ground and piping reconfiguration at the Jasmine pump station.

***Point Repair And Emergency Repairs (PZ-230).*** This project includes sewer line point repairs, manhole rehabilitation, root removal and sewer emergency repairs, sewer video inspection, and sewer

overflow detection devices at select manholes. Anticipated work includes emergency repairs and inspection and possible rehabilitation of sewer force main at the transfer station.

***Sewer CCTV and Pipeline Rehabilitation.*** This project includes the installation of CIPP lining in pipelines throughout the City and may be spread out for several years. The project also includes ongoing inspection of 86 miles of sewer mains and lateral Y connections and performance of local repairs and installation of trenchless plastic liner inside to rehabilitate the sewer pipelines.

The City expects to comply with all governmental approval, environmental review, public bidding and other permitting requirements for each component of the 2019 Project as required by law.

Pursuant to the Indenture, the City may substitute or add additional projects to the 2019 Project. See Appendix B under the caption “ISSUANCE OF 2019 BONDS; APPLICATION OF PROCEEDS—Changes to the 2019 Project.”

### **Estimated Sources And Uses Of Funds**

The following table sets forth the estimated sources and uses of funds:

#### ***Sources<sup>(1)</sup>:***

Principal Amount	\$
Plus/Less Net Original Issue Premium/Discount	
Additional Moneys <sup>(2)</sup>	
Total Sources	<u>\$</u>

#### ***Uses<sup>(1)</sup>:***

Redemption of 2009 Bonds	\$
Deposit to 2019 Project Fund	
Costs of Issuance <sup>(3)</sup>	
Total Uses	<u>\$</u>

(1) All amounts rounded to the nearest dollar. Totals may not add due to rounding.

(2) Reflects moneys held in funds and accounts established in connection with the 2009 Bonds.

(3) Includes Underwriter’s discount and certain legal, municipal advisory, rating agency, printing, and other financing-related costs.

## **THE 2019 BONDS**

### **General Provisions**

The 2019 Bonds will be issued in the aggregate principal amount of \$\_\_\_\_. \* The 2019 Bonds will be dated as of their date of initial issuance, will bear interest from such date at the rates per annum set forth on the inside front cover page hereof, payable on March 1 and September 1 of each year, commencing March 1, 2020 (each, an “**Interest Payment Date**”), and will mature on the dates set forth on the inside front cover page hereof. Interest on the 2019 Bonds will be computed on the basis of a 360 day year composed of twelve 30 day months.

The 2019 Bonds will be issued only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository for the 2019 Bonds. Ownership interests in the 2019 Bonds may be purchased

\* Preliminary, subject to change.

in book entry form, in any integral multiple of \$5,000. See the caption “—Book Entry Only System” below and Appendix D.

In the event that the book entry only system that is described below is discontinued, the principal of and redemption premium (if any) on the 2019 Bonds are payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the office of the Trustee in Los Angeles, California (the “**Office of the Trustee**”). Interest on the 2019 Bonds is payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Trustee (the “**Registration Books**”) as the Owner thereof as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the “**Record Date**”), such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at such Owner’s address as it appears on the Registration Books. An Owner of \$1,000,000 or more in principal amount of 2019 Bonds may, at such Owner’s option, be paid by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the applicable Record Date. The principal of and interest and premium, if any, on the 2019 Bonds will be payable in lawful money of the United States.

Each 2019 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before February 15, 2020, in which event it will bear interest from its date of issuance; provided, however, that if, as of the date of authentication of any 2019 Bond, interest thereon is in default, such 2019 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

#### **Transfers and Exchanges Upon Termination of Book Entry Only System**

In the event that the book entry system that is described herein is abandoned, the 2019 Bonds will be printed and delivered as provided in the Indenture. Thereafter, any 2019 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2019 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee is not required to register the transfer of any 2019 Bond during the period in which the Trustee is selecting 2019 Bonds for redemption and any 2019 Bond that has been selected for redemption.

Whenever any 2019 Bond or 2019 Bonds are surrendered for transfer, the City will execute and the Trustee will authenticate and deliver a new 2019 Bond or 2019 Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee will require the 2019 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2019 Bonds, the Trustee will cancel and destroy the 2019 Bonds that it has received.

2019 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee is not required to exchange any 2019 Bond during the period in which the Trustee is selecting 2019 Bonds for redemption and any 2019 Bond that has been selected for redemption. The Trustee will require the 2019 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2019 Bonds, the Trustee will cancel and destroy the 2019 Bonds that it has received.

## Redemption of the 2019 Bonds

**Optional Redemption.** The 2019 Bonds with stated maturities on or after September 1, 20\_\_, are subject to redemption prior to their respective stated maturities, as a whole or in part on \_\_\_\_ 1, 20\_\_, or any date thereafter, as directed by the City in a Written Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

**Mandatory Sinking Fund Redemption.** The 2019 Bonds maturing on September 1, 20\_\_ (the “**Term Bonds**”) with stated maturities on September 1, 20\_\_ are subject to mandatory sinking fund redemption in part (by lot) on September 1, 20\_\_ and each September 1 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date</i> <i>(September 1)</i>	<i>Principal</i> <i>Amount</i>
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20__	\$
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\*

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\* Maturity.

If some but not all of the Term Bonds are redeemed pursuant to the optional redemption provisions of the Indenture (as described under the subcaptions “—Optional Redemption,” the principal amount of the applicable Term Bonds to be redeemed pursuant to the Indenture on any subsequent September 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the City in a Written Order of the City filed with the Trustee; provided, however, that the aggregate amount of such reductions may not exceed the aggregate amount of the applicable Term Bonds redeemed pursuant to optional redemption provisions of the Indenture.

## Notice of Redemption

Notice of redemption will be mailed by first class mail at least 20 days but not more than 60 days before any Redemption Date, to the respective Owners of any 2019 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to the Information Services. Each notice of redemption will state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, in the case of 2019 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the Redemption Date there will become due and payable on each of said 2019 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2019 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon will cease to accrue, and will require that such 2019 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2019 Bond. Notice of redemption of 2019 Bonds will be given by the Trustee, at the expense of the City, for and on behalf of the City.

With respect to any notice of optional redemption of 2019 Bonds, such notice may state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2019 Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such 2019 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

### **Book Entry Only System**

One fully-registered 2019 Bond of each maturity will be issued in the principal amount of the 2019 Bonds of such maturity. Such 2019 Bond will be registered in the name of Cede & Co. and will be deposited with DTC. As long as the ownership of the Bonds is registered in the name of Cede & Co., the term “**Owner**” as used in this Official Statement will refer to Cede & Co. and not to the actual purchasers of the Bonds (the “**Beneficial Owners**”).

The City may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, the 2019 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer. See the caption “—Transfers and Exchanges Upon Termination of Book Entry Only System.”

The City cannot and does not give any assurances that DTC Participants or others will distribute payments of principal of and interest on the 2019 Bonds received by DTC or its Nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners (as such term is defined in Appendix D), or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D for additional information concerning DTC.

## DEBT SERVICE PAYMENT SCHEDULE

Set forth below is an annualized schedule of principal of and interest on the 2019 Bonds for the period ending June 30 in each of the years indicated, assuming no optional redemptions of the 2019 Bonds.

<i>Period Ending June 30</i>	<i>2019 Bonds Principal</i>	<i>2019 Bonds Interest</i>	<i>2019 Bonds Total Debt Service</i>
2020	\$	\$	\$
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
TOTAL:			

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Source: Underwriter.

## SECURITY FOR THE 2019 BONDS

### Limited Obligations Payable From Net Revenues

**General.** The City is obligated to make payments of principal of and interest on the 2019 Bonds solely from Net Revenues. The term “**Net Revenues**” means, for any period, the Revenues of the Sewer System for such period less the Operation and Maintenance Costs of the Sewer System for such period. See Appendix B for detailed definitions of “Revenues” and “Operation and Maintenance Costs.” When held by the Trustee in any funds or accounts established under the Indenture, Net Revenues will include all interest or gain derived from the investment of amounts in any of such funds or accounts.

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2019 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY GENERAL TAXES OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY GENERAL TAXES. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2019 BONDS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

***Pledge and Assignment; Revenue Fund.*** All of the Revenues, all amounts held in the Revenue Fund, all amounts that are transferred from the Rate Stabilization Fund to the Revenue Fund as described in the Indenture, and any other amounts (including proceeds of the sale of the 2019 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund and the Rate Stabilization Fund (other than those amounts which are transferred by the City from the Rate Stabilization Fund to the Revenue Fund)) have been irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2019 Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues may not be used for any other purpose while the 2019 Bonds remain Outstanding; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Indenture. Said pledge, together with the pledge created by all other Contracts and Bonds, constitutes a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit therein as permitted herein, the Revenue Fund and other funds and accounts created under the Indenture for the payment of the principal of and interest, and the premium, if any, on the 2019 Bonds and all Contracts and Debt Service on Bonds in accordance with the terms of the Indenture, and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and will be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice of the Indenture.

In order to carry out and effectuate the pledge and lien contained in the Indenture, the City has agreed and covenanted that all Revenues will be received by the City in trust under the Indenture and will be deposited when and as received in the Revenue Fund, which fund the City has agreed and covenanted to maintain and to hold separate and apart from other funds so long as the 2019 Bonds and any Contracts or Debt Service on Bonds remain unpaid. Moneys in the Revenue Fund will be used and applied by the City as provided in the Indenture. All moneys in the Revenue Fund will be held in trust and will be applied, used and withdrawn for the purposes set forth below.

The City will, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund will be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority:

(i) Interest and Principal Payments. Not later than the Business Day prior to each Interest Payment Date, the City will, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Payment Fund or the Redemption Fund the payments of interest and principal or mandatory sinking fund payments, as applicable, on the 2019 Bonds due and payable on such Interest Payment Date. The City will also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Reserve Funds. The City did not establish a debt service reserve account for the 2019 Bonds. However, the City may establish a debt service reserve account for one or more series of Bonds or Contracts.

After making the payments, allocations or transfers provided for in subsection (i) above, the City shall, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

(iii) Surplus. Moneys on deposit in the Revenue Fund on any date when the City reasonably expects such moneys will not be needed for the payment of Operation and Maintenance Costs or any of the purposes described in clauses (i) or (ii) above may be deposited in the Rate Stabilization Fund or expended by the City at any time for any purpose permitted by law. See the caption “—Rate Stabilization Fund.”

(iv) Investments. All moneys held by the City in the Revenue Fund will be invested in Permitted Investments and the investment earnings thereon will remain on deposit in such fund, except as otherwise provided herein.

***Allocation of Revenues.*** There has been established with the Trustee the Payment Fund, which the Trustee has covenanted to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2019 Bonds remain unpaid. Except as directed in the Indenture, all payments of interest and principal on the 2019 Bonds received by the Trustee as described above under the subcaption “—Pledge and Assignment; Revenue Fund” will be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required under the Indenture to be deposited in the Redemption Fund will be promptly deposited therein. All payments of interest and principal on the 2019 Bonds deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee will also establish and hold an Interest Account and a Principal Account within the Payment Fund.

The Trustee will transfer from the Payment Fund and deposit into the following respective accounts, the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee will deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2019 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there is in such fund moneys sufficient to pay the interest becoming due and payable on such date on all 2019 Bonds then Outstanding.

All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2019 Bonds as it becomes due and payable (including accrued interest on any 2019 Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

(b) Not later than the Business Day preceding each date on which the principal of the 2019 Bonds becomes due and payable under the Indenture, the Trustee will deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2019 Bonds coming due and payable on such date. No deposit need be made into the Principal Account so long as there is in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2019 Bonds then Outstanding.

All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the 2019 Bonds at maturity, purchase or acceleration; provided, however, that at any time



prior to selection for redemption of any such 2019 Bonds, upon written direction of the City, the Trustee will apply such amounts to the purchase of 2019 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed pursuant to a Written Request of the City, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2019 Bonds.

### **Rate Stabilization Fund**

The City will establish, maintain and hold in trust under the Indenture a special fund designated as the "Rate Stabilization Fund." The City will maintain and hold such fund separate and apart from other funds so long as the 2019 Bonds or any other Contracts or Bonds remain unpaid. Money transferred by the City from the Revenue Fund to the Rate Stabilization Fund in accordance with the Indenture will be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The City may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the Indenture or, in the event that all or a portion of the 2019 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application in accordance with the Indenture. Any such amounts transferred from the Rate Stabilization Fund to the Revenue Fund in accordance with the Indenture constitute pledged Revenues.

The City intends to deposit an amount approximately equal to the next Fiscal Year's 2020 Bond debt service in the Rate Stabilization Fund upon the Closing; however, as noted above, the City retains the right to withdraw moneys from the Rate Stabilization Fund from time to time and apply such moneys in accordance with the Indenture. No assurance can be made that moneys will, in fact, be deposited into the Rate Stabilization Fund or that moneys will be on deposit in the Rate Stabilization Fund to pay debt service on the 2019 Bonds in the event Net Revenues are insufficient for this purpose.

### **Rate Covenant**

In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is less than the payments of principal of and interest on the 2019 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at the commencement of each such Fiscal Year, rates and charges for the Sewer Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to 120% of Debt Service for such Fiscal Year. When calculated for the foregoing purposes, Net Revenues do not include amounts which are transferred from the Rate Stabilization Fund pursuant to the Indenture that are in excess of 20% of Debt Service for such Fiscal Year.

In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is at least equal to the payments of principal of and interest on the 2019 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at the commencement of each such Fiscal Year, rates and charges for the Sewer Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Revenues equal to 120% of the Operation and Maintenance Costs for such Fiscal Year. When calculated for purposes of this subsection, Revenues do not include any amounts which are transferred from the Rate Stabilization Fund pursuant to the Indenture.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the foregoing requirements.

## **Additional Indebtedness**

Pursuant to the Indenture, the City may at any time execute any Contracts or issue any Bonds payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2019 Bonds provided that the following conditions are satisfied:

(a) The Net Revenues for the last audited Fiscal Year of the City, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the City Council of the City of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, produce a sum equal to at least 120% of the Debt Service for such Fiscal Year or other twelve month period. When calculated for purposes of the foregoing test, Net Revenues do not include amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the Indenture that are in excess of 20% of Debt Service for such Fiscal Year; and

(b) The Net Revenues for the last audited Fiscal Year of the City, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the City Council of the City of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in rates and charges for the Sewer Service approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, produce a sum equal to at least 120% of the Debt Service for such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or other twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued had such proposed additional Contract been executed or proposed additional Bonds been issued at the beginning of such Fiscal Year or other twelve month period. When calculated for purposes of the foregoing test, Net Revenues do not include amounts transferred from the Rate Stabilization Fund, if established, to the Revenue Fund pursuant to the Indenture that are in excess of 20% of Debt Service for such Fiscal Year.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or prepay Contracts may be delivered without satisfying the conditions set forth above if total Debt Service after the issuance of such refunding Bonds or execution of such refunding Contracts executed is not greater than total Debt Service would have been prior to the issuance of such Bonds or execution of such Contracts.

## **No Reserve Fund**

No reserve fund has been established in connection with the issuance of the 2019 Bonds.

## **THE CITY**

### **General**

The City incorporated in 1917 under the general laws of the State. In 1947, City voters approved a charter and the City operates as a charter city. The City has a land area of approximately 5.1 square miles and an estimated population of 40,173 people as of January 1, 2019. Land use in the City is primarily residential, with areas of commercial and industrial development. See the caption “—Land Use and Service Area.” The City provides a wide range of services, such as public works (including wastewater services), street maintenance, police and fire, economic development, parks and recreation (including senior services) and land and building development.

The City is located in the western portion of Los Angeles County, California (the “County”), approximately eight miles west of downtown Los Angeles, five miles east of the Pacific Ocean and five miles north of Los Angeles International Airport. The City is situated along Interstate 405, just south of the junction of Interstate 405 and Interstate 10. With its location near the confluence of these freeways, the City has access to major employment centers and tourist destinations in southern California. Since the inception of the film industry, the City has served a major hub of the entertainment sector and is home to Sony Pictures Studios, a major television and film production studio as well as the new home to Amazon Studios and Apple Entertainment.

The City provides sewer collection service to approximately 16,932 residential and 1,456 commercial, industrial and other customers. The City’s Sewer System includes approximately 90 miles of sanitary sewer lines, 2.5 miles of sewer force mains and 7 lift stations. Wastewater collected by the City is delivered to the Hyperion Water Reclamation Plant (the “**Wastewater Treatment Plant**”), which is owned and operated by the City of Los Angeles. Pursuant to a contract between the City and the City of Los Angeles, the City of Los Angeles has agreed to treat all wastewater collected by the City, subject to the available capacity of the Wastewater Treatment Plant. See the caption “THE SEWER SYSTEM OF THE CITY.”

### **Land Use and Service Area**

The service area of the Sewer System is contiguous with City boundaries. The service area is largely built-out and encompasses single family and multi-family residences, as well as areas of commercial and industrial land uses.

### **Seismic Considerations**

The City is located in a seismically active region. Significant faults are located near the City, including the Inglewood Fault and the Overland Avenue Fault. There is potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the City, including the Sewer System. The City has an emergency response plan that would be implemented under such circumstances.

Newer Sewer System facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. The impact of lesser magnitude events is expected by the City to be temporary, localized and reparable. The Sewer System has never sustained major damage to its facilities or experienced extended incidences of service interruptions as a result of seismic disturbances. All facilities have been designed and constructed in compliance with the City’s construction standards.

The City maintains earthquake insurance on certain Sewer System facilities. See the captions “—City Insurance” and “CERTAIN RISKS TO BONDHOLDERS—Natural Disasters.”

### **Governance and Management**

**General.** The City is governed by a five-member City Council, the members of which are elected at large for staggered four-year terms. City Council members elect a mayor and a vice mayor from among the City Council members, and each serves a one-year term. The current City Council members and the expiration dates of their terms are set forth below.

**City of Culver City  
City Council Members**

<i>City Council Member</i>	<i>Expiration of Term</i>
Meghan Sahli-Wells, Mayor	December 2020
Göran Eriksson, Vice Mayor	December 2020
Alex Fisch, Council Member	December 2022
Daniel Lee, Council Member	December 2022
Thomas Aujero Small, Council Member	December 2020

Day-to-day management of the City is delegated to John M. Nachbar, City Manager. Mr. Nachbar has been with the City since 2010 and previously served as the City Manager of Overland Park, Kansas, the Deputy City Manager of Tucson, Arizona and the City Manager of Patterson, California, among other positions. Mr. Nachbar has over 40 years of diverse experience in public sector management and also previously worked for the Cities of Wichita Falls, Texas and Albany, California. Mr. Nachbar has a Bachelor's degree in Political Science and Master's degree in Public Administration, both from the University of Kansas.

Onyx Jones serves as the City's Chief Financial Officer/Treasurer. Ms. Jones has been with the City since February 2019 and previously served as the Finance Director/Treasurer of the City of Pomona, California, the Interim Finance Director of the City of Adelanto, California and the Deputy Finance Director of the City of Rialto, California. Ms. Jones has over 18 years of municipal government experience. Ms. Jones has a Master's degree in Professional Accountancy from Wichita State University.

City utilities, including the Sewer System, are managed by the Public Works Director/City Engineer, Charles D. Herbertson, P.E., L.S. Mr. Herbertson has been with the City since 2004 and previously served as the Chief of General Services & Public Works/City Engineer for the City of Hawthorne, California. Mr. Herbertson has over 34 years of experience in the municipal utilities industry. Mr. Herbertson has a Bachelor's degree in City Engineering from Old Dominion University, and a Master's degree in Public Administration from the University of Southern California. He is registered civil engineer and land surveyor in the State of California.

**Management Policies.** The City has adopted several policies designed to ensure the prudent and effective management of City operations, including an investment policy, a reserve policy and a debt management policy. Further information about each such policy is set forth below.

**Investment Policy.** The City invests its funds in accordance with the City's investment policy (the "**Investment Policy**"), which was last revised in June 2017. The Investment Policy sets forth the policies and procedures that are applicable to the investment of City funds and designates eligible investments. The Investment Policy also sets forth stated objectives, including the assurance of the safety of invested funds, the maintenance of sufficient liquidity, compliance with law and the attainment of the best yield or returns on investments. Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Yield.

The City Council has delegated the authority to invest funds of the City to the City Treasurer, who must invest City funds in accordance with the prudent person standard under California Civil Code § 2261 *et seq.*

The Investment Policy provides a number of permitted investment categories, including: (i) the State of California Local Agency Investment Fund; (ii) United States Treasury Securities and other federal

government securities; (iii) municipal obligations (limited to 30% of the City's portfolio); (iv) bankers acceptances (limited to 25% of the City's portfolio); (v) commercial paper meeting certain requirements (limited to 25% of the City's portfolio); and (vi) money market mutual funds (limited to 20% of the City's portfolio).

As of June 30, 2019, the City had \$187,405,225 in permitted investments under the Investment Policy. Of such amounts, approximately 12% were allocated to the Sewer System.

The City's investments are reported quarterly to the City Council. For additional information relating to the Investment Policy, see Note 3 to the City's audited financial statements for the fiscal year of the City ended June 30 (each, a "**Fiscal Year**"), 2018 set forth in Appendix A.

*Reserve Policy.* The City's reserve policy includes a Contingency Reserve and a Facilities Planning Reserve. The Contingency Reserve has a target balance of 30% of the General Fund operating budget. Funds held in the Contingency Reserve may be used for a catastrophic loss of critical infrastructure, a State- or federally-declared emergency, a claim or judgment against the City, a significant deviation from budgeted revenue projections for sales taxes, utility users' taxes or business taxes or any action by another government which eliminates or shifts City revenues, in each case resulting in an impact equal to 5% or more of the General Fund operating budget. The Contingency Reserve is also available to pay debt service on City obligations that cannot otherwise be met. As of June 30, 2019, the City held approximately \$67,690,966 in the Contingency Reserve, exceeding the target level of 30% of the General Fund operating budget. The City has a policy to maintain an operating reserve for the Sewer System equal to 50% of the current Fiscal Year's budgeted operating expenses. Pursuant to this policy, as of June 30, 2019, the City held over \$4 million available for Sewer System operating expenses.

The City's Facilities Planning Reserve is available to offset the cost of replacement or major refurbishment of critical City infrastructure, such as City Hall, the City's police department headquarters and fire stations. As of June 30, 2019, the City held \$6,575,000 in the Facilities Planning Reserve, which is funded from surplus General Fund revenues.

*Debt Management Policy.* The City's debt management policy addresses the matters that are required by California Government Code § 8855(i), including: (i) the purposes for which debt proceeds may be used; (ii) the types of debt that may be issued; (iii) the relationship of the debt to, and integration with, the City's capital improvement program or budget; (iv) policy goals related to the City's planning goals and objectives; and (v) the internal control procedures which ensure that the proceeds of each debt issuance are directed to their intended use.

## **Employees and Employee Benefits**

*Employees.* As of June 30, 2018, the City had approximately 684 full-time equivalent employees, of whom approximately 12 full time equivalent worked solely on behalf of the Sewer System and 118 worked in the Public Works Department. Certain employees of the Public Works Department and the Finance Department are represented by the Culver City Employees Association (the "**CCEA**") and the Culver City Management Group (the "**CCMG**" and, together with the CCEA, the "**Unions**"). Relations between the City and the Unions are governed by memoranda of understanding which each expire on June 30, 2020. The City has never experienced a strike, slowdown or work stoppage.

*Pension Obligations.* In June 2012, the Governmental Accounting Standards Board ("**GASB**") adopted updated standards (GASB Statement No. 68, or "**GASB 68**") with respect to accounting and financial reporting by state and local government employers for defined benefit pension plans effective in Fiscal Year 2015. The standards govern the accounting treatment of defined benefit pension plans, including how expenses and liabilities are calculated and reported by state and local government employers in their financial statements. GASB 68 includes the following components: (i) unfunded pension liabilities are included on the

employer's balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer's actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 changed the City's accounting reporting and disclosure requirements, but it did not change the City's pension plan funding obligations.

The City participates in a Miscellaneous plan to fund pension benefits for employees who administer the Sewer System. The City's Miscellaneous plan is administered by the California Public Employees Retirement System ("CalPERS"). CalPERS administers an agent multiple-employer public employee defined benefit pension plan for all of the City's full-time and certain part-time employees. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by State statute and the City Council.

City employees are subject to different benefit levels based on their hire date. Current benefit provisions for City employees are set forth below. All city employees in the city's Miscellaneous plan are required to make the full employee contribution shown below, regardless of hire date.

**City of Culver City  
CalPERS Miscellaneous Pension Plan – Summary of Benefit Provisions**

	<i>Employees Hired Before 7/1/2011</i>	<i>Employees Hired Between 7/1/2011 and 12/31/2012</i>	<i>Employees Hired On or After January 1, 2013 (Prior CalPERS Members)</i>	<i>Employees Hired On or After January 1, 2013 (Not Prior CalPERS Members)</i>
Benefit Formula	2.5% @ age 55	2.0% @ age 60	2.0% @ age 60	2.0% @ age 62
Benefit Vesting	5 years of service	5 years of service	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50-55	50-63	50-63	52-67
Monthly Benefits as % of Eligible Compensation	2.0% - 2.5%	1.092% - 2.418%	1.092% - 2.418%	1.0% - 2.5%
Employee Contribution Rate	8.0%	7.0%	7.0%	6.25%
Employer Contribution Rate	9.324%	9.324%	9.324%	9.324%

Source: City.

City employees who were hired on and after January 1, 2013 and who were not previously CalPERS members receive benefits based on a 2.0% at age 62 formula; such employees are required to make the full amount of required employee contributions themselves under the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier: the 2.0% at age 62 formula, with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also caps pensionable income for 2019 as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

**City of Culver City**  
**Pensionable Income Caps for 2019 (AB 340 and Non-AB 340 Employees)**

<i>Hire Date</i>	<i>Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>After January 1, 2013 (AB 340 Employees)</i>
<i>Maximum Pensionable Income</i>	\$275,000	\$146,666
<i>Maximum Pensionable Income if also Participating in Social Security</i>	N/A	\$121,388

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Source: City.

CalPERS estimates savings for local agency plans as a result of AB 340 of approximately \$1.653 billion to \$2.355 billion over the 30-year period after its adoption, primarily due to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City have not been quantified.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the City's unfunded pension liability and potentially reduce City contribution levels in the long term.

The City is also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. Required employer contribution rates for Fiscal Year 2019 were 8.724% for each benefit level and hire date. Required employer contribution rates for Fiscal Year 2020 are 9.324% for each benefit level and hire date. Required employer contribution rates for Fiscal Year 2021 will be 10.105% for each benefit level and hire date.

Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount, expressed as a percentage of payroll, that is necessary to finance the costs of benefits that are earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City's Miscellaneous plan had a total net pension liability of approximately \$83,758,084 for the Fiscal Year ended June 30, 2017 and approximately \$92,517,401 for the Fiscal Year ended June 30, 2018. The net pension liability for the Sewer System was \$2,433,208 for the Fiscal Year ending June 30, 2018. The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The City's total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts.

For Fiscal Years 2017, 2018 and 2019, the City incurred Miscellaneous plan pension expenses of \$7,117,512, \$13,286,547 and \$14,025,776, respectively. The Miscellaneous plan contributions for Fiscal Years 2017, 2018 and 2019 were \$7,435,029, \$7,577,740 and \$8,720,143, respectively. The City currently expects its annual required contribution for the Miscellaneous plan in Fiscal Year 2020 to be approximately \$9,982,322 (assuming that the City elects the lump sum payment option). The share of such contributions which is attributable to the Sewer System is expected to be approximately 1.4% in Fiscal Year 2020.

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2019 is shown below.

**City of Culver City  
Actuarial Assumptions for Miscellaneous Pension Plan**

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Discount Rate	7.0%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.00% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.50%
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' membership data for all funds

<sup>(1)</sup> The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Source: City.

On December 21, 2016, the CalPERS Board of Directors voted to lower its discount rate from the current rate of 7.50% to 7.00%. The minimum employer contributions for Fiscal Year 2021 determined in the CalPERS Actuarial Valuation for the City's Miscellaneous plan as of June 30, 2017 were calculated using a discount rate of 7.00%, payroll growth of 2.75% and an inflation rate of 2.50%.

For public agencies such as the City, the new discount rate took effect July 1, 2017. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 will also see their contribution rates rise under AB 340. The reduction of the discount rate will result in average employer rate increases of approximately 1% to 3% of normal cost as a percentage of payroll for most Miscellaneous retirement plans such as the City's plan. Additionally, many employers will see a 30% to 40% increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring pension funds to a fully funded status over the long-term.

*Portions of the above information are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.*

*The comprehensive annual financial reports of CalPERS are available on CalPERS' Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.*



Changes in the net pension liability for the City's Miscellaneous plan were as follows:

**City of Culver City  
Changes in Net Pension Liability**

	<i>Increase / (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>
Balance at June 30, 2016	\$ 266,418,386	\$ 182,660,302	\$ 83,758,084
Balance at June 30, 2017	<u>292,704,235</u>	<u>200,186,834</u>	<u>92,517,401</u>
Net Changes for period from July 1, 2016 through June 30, 2017	\$ 26,285,849	\$17,526,532	\$ 8,759,317

Source: City.

The following table presents the net pension liability of the City's Miscellaneous plan, calculated using the discount rate applicable to Fiscal Year 2018 (7.15%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

**City of Culver City  
Sensitivity of the Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate**

	<i>Discount Rate – 1% (6.15%)</i>	<i>Current Discount Rate (7.15%)</i>	<i>Discount Rate + 1% (8.15%)</i>
Plan's Net Pension Liability/(Asset)	\$132,138,543	\$92,517,401	\$59,785,059

Source: City.

CalPERS earnings reports for Fiscal Years 2010 through 2019 report investment gains of approximately 13.0%, 21.7%, 1.0%, 12.5%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6% and 6.7% (preliminary), respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City.

The City's projections of Operation and Maintenance Costs under the caption "THE SEWER SYSTEM OF THE CITY—Projected Sewer System Operating Results and Debt Service Coverage" do not assume unusual increases in CalPERS contributions or other labor costs in the future. However, no assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any increased funding of pension benefits will have a material adverse effect on the ability of the City to pay the 2019 Bonds.

For additional information relating to the City's CalPERS Miscellaneous pension plan, see Note 10 to the City's audited financial statements for Fiscal Year 2018 set forth in Appendix A.

**Post-Employment Benefits.** In addition to the pension benefits that are described under the subcaption "—Pension Obligations," the City provides certain health care benefits for retired employees and eligible dependents (referred to as "other post-employment benefits," or "OPEB"). Substantially all of the City's full-time employees who are eligible for pension benefits may become eligible for such other post-employment benefits. As of June 30, 2018, 635 employees met these eligibility requirements and 532 retirees or their beneficiaries participated in the plan, with another 70 eligible to participate but not yet doing so. Total OPEB contributions of approximately \$11,037,000 and \$10,940,000, which include implied subsidy amounts of \$931,000 and \$927,000, were recognized for post-employment health care benefits in Fiscal Years

2017 and 2018, respectively. Total OPEB expenses for Fiscal Years 2017 and 2018 were \$5,125,000 and \$6,633,000, respectively.

GASB Statement No. 75 (“**GASB 75**”) requires governmental agencies to account for and report outstanding obligations and commitments related to post-employment benefits in essentially the same manner as for pensions. For the City, the reporting obligation began in Fiscal Year 2018.

The City retained Bartel Associates, LLC (the “**Actuarial Consultant**”) to calculate the City’s post-employment benefits funding status. In a report dated March 5, 2018 (the “**Report**”), the Actuarial Consultant concluded that, as of June 30, 2018, the City’s net liability for post-employment benefits was \$87,968,000. The Actuarial Consultant also concluded that the City’s actuarially determined contribution (the actuarial value of benefits earned during Fiscal Year 2019 plus costs to amortize the unfunded actuarial accrued liability, or “**ADC**”) was \$9,049,000. The Sewer System’s share of the City’s net OPEB obligation for the Fiscal Year ending June 30, 2018 was \$387,953.

The City has entered into a contract with the California Employer’s Retiree Benefit Trust Program to fund the ADC on an annual basis. For Fiscal Year 2019, the City paid \$10,140,250 with respect to post-employment benefits, which is higher than the Fiscal Year 2019 ADC of \$9,049,000 noted above. For Fiscal Year 2020, the City has budgeted \$10,337,356 for post-employment benefits; the Sewer System will pay approximately 0.44% of the Fiscal Year 2020 post-employment benefit payments. GASB 75 does not require the City to amortize the ADC each year.

Changes in the net liability for the City’s post-employment benefit plan were as follows.

**City of Culver City**  
**Changes in Post-Employment Benefit Plan Liability**

	<i>Increase / (Decrease)</i>		
	<i>Total Post-Employment Benefit Plan Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Post-Employment Benefit Plan Liability / (Asset)</i>
Balance at June 30, 2016	\$ 127,515,000	\$ 31,624,000	\$ 95,891,000
Balance at June 30, 2017	<u>127,911,000</u>	<u>39,943,000</u>	<u>87,968,000</u>
Net Changes for period from July 1, 2016 through June 30, 2017	\$ 396,000	\$ 8,319,000	\$ (7,923,000)

Source: City.

The following table presents the net liability of the City’s post-employment benefits plan, calculated using the discount rate applicable to Fiscal Year 2018 (6.50%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate:

**City of Culver City**  
**Sensitivity of the Post-Employment Benefit Plan Net Liability to Changes in the Discount Rate**

	<i>Discount Rate – 1% (5.50%)</i>	<i>Current Discount Rate (6.50%)</i>	<i>Discount Rate + 1% (7.50%)</i>
Plan’s Net Liability/(Asset)	\$104,677,000	\$87,968,000	\$74,187,000

Source: City.

The City's projections of Operation and Maintenance Costs under the caption "THE SEWER SYSTEM OF THE CITY—Projected Sewer System Operating Results and Debt Service Coverage" do not assume unusual increases in post-employment benefit funding expenses in the future. However, future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the City's annual required contributions, and such increases could be material to the finances of the City. No assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the City to pay the 2019 Bonds.

For additional information relating to the City's post-employment benefit plan, see Note 11 to the City's audited financial statements for Fiscal Year 2018 set forth in Appendix A.

## **Budget Process**

**General.** The process of developing the City's budget for each Fiscal Year begins in January of each year, when the City's Finance Department prepares updated revenue estimates and fund balance projections for the then-current Fiscal Year as well as a forecast of revenue projections for the next five Fiscal Years. Such reports are presented to the City Council by the end of February of each year, at which time the City solicits public comment on the budget for the upcoming Fiscal Year. A second public comment period is also usually held during a City Council meeting in March of each year, during which month the Finance Department provides budget guidelines and appropriation targets for each City department to use in preparing the budget for the following Fiscal Year. The Finance Department summarizes requests for annual appropriations from each department for the City Manager. Based on the City Manager's recommendations and amendments, the Finance Department prepares a proposed budget and presents it to the City Council. Upon completion of one or more budget study sessions by the City Council, the City holds a public hearing to review the proposed budget. At the conclusion of the public hearing, the budget is required to be adopted by a majority vote of the City Council by no later than June 30 of each year.

The City Manager can authorize transfers of appropriations within the adopted budget. Supplemental appropriations during a Fiscal Year require City Council approval. Expenditures may not exceed appropriations at the fund level and appropriations lapse at the conclusion of each Fiscal Year.

**Sewer System.** In developing its budget requests for the Sewer System each Fiscal Year, the Public Works Department estimates Sewer System revenues and expenditures in the spring of each year, with particular attention to expected water usage and expected payments to the City of Los Angeles under the Sewage Disposal Agreement, based on rates adopted by the City of Los Angeles at least four months prior to the start of the Fiscal Year in which they will become effective. See the caption "THE SEWER SYSTEM OF THE CITY—Sewage Disposal Agreement." An independent rate consultant applies the rates set forth in the City's then-current rate study to set the sewer charges for each customer of the Sewer System for the applicable Fiscal Year. The resulting projected Sewer System revenues and expenses serve as the basis for Sewer System budget requests for the following Fiscal Year. See the caption "THE SEWER SYSTEM OF THE CITY—Sewer System Rates and Charges—General."

The City Council adopted the budget for Fiscal Year 2020 on June 24, 2019.

## **City Insurance**

The City is self-insured up to \$1,000,000 for workers compensation claims, general automobile liability and public liability and maintains commercial insurance through AON for claims in excess of \$1,000,000 up to \$30,000,000.

The City maintains property damage coverage (including for earthquake and flood damage) for claims up to \$25,000,000 through three carriers: Beazley (\$5,000,000); Arch (\$5,000,000); and Lloyds of London

(\$15,000,000). The City's pump station, but not sewer pipelines, are included in this property insurance coverage.

Additionally, the City separately maintains boiler and machinery insurance for claims up to \$188,000,000 and public employee blanket and fidelity bonds in the amount of \$2,000,000.

See the captions "—Seismic Considerations" and "CERTAIN RISKS TO BONDHOLDERS—Natural Disasters."

The City has not settled any claims that exceeded its insurance coverages in the past three years.

The City can provide no assurance that it will maintain the above insurance coverage amounts while the 2019 Bonds are outstanding. See Appendix B under the caption "INDENTURE—PARTICULAR COVENANTS—Insurance" for a description of insurance coverages that are required to be maintained while the Bonds are Outstanding.

### **No Outstanding Parity Obligations**

Upon the refunding of the 2009 Bonds as described under the caption "PLAN OF FINANCE—The Refunding Plan," the City will have no obligations which are payable from Revenues or Net Revenues on a senior basis or on a parity with the 2019 Bonds. The City is permitted to incur additional obligations that are payable from Net Revenues on a parity with the 2019 Bonds in the future upon satisfaction of the conditions that are described under the caption "SECURITY FOR THE 2019 BONDS—Additional Indebtedness."

### **Financial Statements**

A copy of the most recent audited basic financial statements of the City prepared by The Pun Group LLP, Santa Ana, California (the "Auditor") is set forth in Appendix A. The Auditor's letter dated December 21, 2018 is set forth therein.

The summary operating results that are contained under the caption "THE SEWER SYSTEM OF THE CITY—Historical Sewer System Operating Results and Debt Service Coverage" are derived from these financial statements and audited financial statements for prior Fiscal Years (excluding certain non-cash items and after certain other adjustments), and are qualified in their entirety by reference to such statements, including the notes thereto.

The City accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to public entities ("GAAP"). In certain cases, GAAP requires or permits moneys that are collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses that are paid or incurred in one Fiscal Year to be recognized as expenses in a subsequent Fiscal Year. See Note 1 to the financial statements that are set forth in Appendix A. Except as otherwise expressly noted herein, all financial information that has been derived from the City's audited financial statements reflects the application of GAAP.

The Sewer Enterprise Fund of the City is accounted for as a proprietary fund (enterprise fund) using the accrual basis of accounting and measuring balances and changes based on an economic resources focus. In governmental accounting, enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

## THE SEWER SYSTEM OF THE CITY

### The Sewer System

**General.** The City provides sewer collection service to approximately 16,932 residential and 1,456 commercial, industrial and other customers. The City's Sewer System includes approximately 90 miles of sanitary sewer lines, 2.5 miles of sewer force mains and 7 lift stations. Wastewater collected by the City is delivered to the Wastewater Treatment Plant, which is owned and operated by the City of Los Angeles. See the subcaption "—Wastewater Treatment Plant." In 1999, the City and the City of Los Angeles entered into an Agreement for the Conveyance, Treatment and Disposal of Wastewater (the "**Sewage Disposal Agreement**") to govern the City's delivery of wastewater to the Wastewater Treatment Plant. Under the Sewage Disposal Agreement, the City of Los Angeles has agreed to accept delivery of and treat all wastewater collected through the City's Sewer System, subject to available capacity in the Wastewater Treatment Plant. See the caption "—Sewage Disposal Agreement."

**Wastewater Treatment Plant.** The Wastewater Treatment Plant is a 450 million gallon per day ("mgd") capacity secondary treatment plant, the initial portion of which was constructed with treatment facilities in 1925. It is located in the City of El Segundo, approximately 8 miles southwest of the City's boundaries, and owned and operated by the City of Los Angeles's Department of Public Works, Sanitation Bureau.

Treatment of wastewater at the Wastewater Treatment Plant consists of four steps: (1) Pretreatment, during which solids such as branches, plastics, rags, sand and other gritty solids are removed from the wastewater flow through the use of bar screens and aerated grit chambers; (2) Primary Treatment, during which wastewater flow is slowed, allowing oil and grease to float to the top while heavy solids settle to the bottom, where they can be removed and transported to a solids handling area for further processing; (3) Secondary Treatment, during which, in covered oxygen-rich reactor tanks, bacteria living in the wastewater consume most of the remaining organic particles (solids) and settle to the bottom of the tanks, where they are collected and sent to clarifiers for final settling; and (4) Digestion and Solids Handling, during which solids removed during primary and secondary treatment are pumped to egg-shaped vessels (digesters) for further processing and elimination of pathogens, leaving a byproduct of methane gas, which can be used for energy production. Treated effluent is discharged to the Pacific Ocean through a 5-mile long outfall pipeline.

The Wastewater Treatment Plant serves an area of approximately 600 square miles in the Los Angeles Basin and portions of the San Fernando Valley to the north, including wastewater collected from the City and the cities of Los Angeles, Glendale, Santa Monica and Beverly Hills, among a total of 24 contracting agencies.

### Sewage Disposal Agreement

Under the Sewage Disposal Agreement, the City of Los Angeles is obligated to accept delivery of and treat all wastewater collected through the City's Sewer System, subject to available capacity in the Wastewater Treatment Plant. The Water Treatment Plan currently has significant capacity in excess of existing user needs. The City's payments to the City of Los Angeles, which constitute Operation and Maintenance Costs of the Sewer System, are intended to cover the City's proportionate share of the costs of operating, staffing and maintaining the Wastewater Treatment Plant and the related conveyance system. Such payments consist of a number of components which are determined annually by the City of Los Angeles, and paid by the City in equal installments every other month, including:

- The City's share (measured by flow and strength (referring to the amount of oxygen consumed by bacteria present in the wastewater)) of wastewater delivered to the Wastewater Treatment Plant in proportion to the total demands on the Wastewater Treatment Plant from all contracting agencies;

- The distance the City’s wastewater travels from the City’s Sewer System to the Wastewater Treatment Plant (with rates set in an amount proportionate to the total conveyances from all contracting agencies); and
- The City’s proportionate share (based on the factors described above) of capital costs to upgrade existing Wastewater Treatment Plant facilities and construct new facilities. The City of Los Angeles, as the owner and operator of the Wastewater Treatment Plant, makes determinations with respect to capital upgrades and new construction, although the Sewage Disposal Agreement affords the City the right to meet and confer with the City of Los Angeles to discuss such matters upon request.

The City is also responsible for a proportionate share of any liability imposed by federal or State authorities relating to the operation of the Wastewater Treatment Plant, unless caused by gross negligence or willful acts by the City of Los Angeles.

The City’s actual historical payments to the City of Los Angeles under the Sewage Disposal Agreement for Fiscal Years 2015 through 2019 are set forth in the following table. The City of Los Angeles annually provides the City with a five-year projection of the charges under the Sewage Disposal Agreement. These projections are typically higher than the actual amounts charged to the City for the applicable Fiscal Year. In August of each year the City of Los Angeles provides the actual payment amount for the then-current Fiscal Year. In August of each year, the City of Los Angeles also provides a reconciliation of the charge applicable to the Fiscal Year two years prior, payable in the then-current Fiscal Year (the reconciliation for Fiscal Year 2018 was provided in August 2019 for payment in Fiscal Year 2020). The reconciliation can result in an additional payment in the following Fiscal Year or a credit against the following Fiscal Year’s payment and over the past ten years has resulted in credits of up to nearly \$500,000 or additional payments of up to nearly \$600,000. The historical Sewage Disposal Agreement payments set forth in the following table include reconciliation payments made to the City of Los Angeles in the Fiscal Year in which such reconciliation payments were actually made.

<b>City of Culver City</b>		
<b>Historical Sewage Disposal Agreement Payments</b>		
<i><b>Fiscal Year</b></i>	<i><b>Charges</b></i>	<i><b>% Change</b></i>
2015	\$2,760,791	35.3%
2016	3,475,430	25.9
2017	2,651,490	(23.7)
2018	1,979,250	(25.4)
2019 <sup>(1)</sup>	2,588,000	30.8

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<sup>(1)</sup> Unaudited.

The projected payments to the City of Los Angeles under the Sewage Disposal Agreement are set forth in the following table. The City of Los Angeles originally projected the City’s payment under the Sewage Disposal Agreement for Fiscal Year 2020 to be \$3,307,900; however, the City of Los Angeles later confirmed that the actual payment for Fiscal Year 2020 will be \$2,411,095, plus an additional payment of \$520,950 reflecting a reconciliation for Fiscal Year 2018, for a total payment in Fiscal Year 2020 of \$2,932,045 as reflected in the following table. Based on the historical trend for the prior five Fiscal Years, the City expects the actual payments for Fiscal Years 2021 through 2024, including reconciliations for prior Fiscal Years, to be lower than the following projected amounts by approximately \$500,000 in each year; however the City cannot provide any assurance regarding the actual payments that will be required by the City of Los Angeles under the Sewage Disposal Agreement. The projected payments to the City of Los Angeles set forth in the following table are incorporated into the projected operating results set forth under the heading “—Projected Sewer System Operating Results and Debt Service Coverage.”

**City of Culver City**  
**Projected Sewage Disposal Agreement Payments**

<i>Fiscal Year</i>	<i>Charges</i>	<i>% Change</i>
2020	\$2,932,045	13.3%
2021	3,452,800	17.8
2022	3,170,200	(8.2)
2023	3,072,100	(3.1)
2024	3,153,300	2.6

Other key provisions of the Sewage Disposal Agreement include the following:

- The City charges sewer facilities fees on behalf of the City of Los Angeles and passes amounts collected on behalf of the City of Los Angeles directly through to the City of Los Angeles. Such amounts are not reflected in the historical or projected Sewer System Revenues described under the headings “—Historical Sewer System Service Charge Revenues,” “—Projected Sewer System Service Charge Revenues,” “—Historical Sewer System Operating Results and Debt Service Coverage,” and “—Projected Sewer System Operating Results and Debt Service Coverage.”
- The City of Los Angeles adopts service charges imposed on the City and other contracting agencies for use of the Wastewater Treatment Plant at least four months prior to the start of the Fiscal Year in which such charges will become effective, thereby allowing such agencies, including the City, time to adopt their own rates and charges. See the caption “THE CITY—Budget Process—Sewer System.”

The Sewage Disposal Agreement term runs through 2029, with the parties agreeing to begin negotiating an extension of the term in or about 2027.

The City of Los Angeles faces various challenges in the continued treatment of wastewater at the Wastewater Treatment Plant. Changes in the operation of the Wastewater Treatment Plant could result in higher Sewer System Operation and Maintenance Costs to the City. See the caption “CERTAIN RISKS TO BONDHOLDERS—System Expenses.” A description of challenges faced by the City of Los Angeles, as well as a variety of other operating information, with respect to the Wastewater Treatment Plant, is included in certain disclosure documents prepared by the City of Los Angeles. The City of Los Angeles periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. The City of Los Angeles has also entered into certain continuing disclosure agreements pursuant to which the City of Los Angeles is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12. Such official statements, other disclosure documents, annual reports and notices (collectively, the “**Los Angeles Information**”) are filed with EMMA at <http://emma.msrb.org>. The Los Angeles Information is not incorporated herein by reference thereto, and the City makes no representation as to the accuracy or completeness of such information. THE CITY MAKES NO REPRESENTATION AS TO THE ACCURACY OF ANY INFORMATION PREPARED BY THE CITY OF LOS ANGELES OR AVAILABLE ON THE INTERNET WEBSITES OF THE CITY OF LOS ANGELES.

**THE CITY OF LOS ANGELES HAS NEITHER REVIEWED THIS OFFICIAL STATEMENT NOR MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO THE WASTEWATER TREATMENT PLANT OR THE CITY OF LOS ANGELES. THE CITY OF LOS ANGELES IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO PROVIDE OR UPDATE INFORMATION RELATED TO THE CITY OF LOS ANGELES FOR THE BENEFIT OF THE CITY OR THE OWNERS OF THE 2019 BONDS UNDER RULE 15c2-12.**

## Regulatory Issues

The Wastewater Treatment Plant is operated pursuant to the terms of a National Pollutant Discharge Elimination System (“NPDES”) permit issued by the State Department of Environmental Protection, Los Angeles Regional Water Quality Control Board (the “Regional Board”). The Regional Board administers NPDES regulations promulgated by the United States Environmental Protection Agency and Division 7 of the State Water Code and regulations thereunder. The present NPDES permit for the Wastewater Treatment Plant, Order No. R4-2017-0045, NPDES No. CA109991, became effective on April 1, 2017, and expires on March 31, 2022. The NPDES permit is currently maintained in good standing and is not currently the basis for any cease and desist orders or unpaid monetary fines imposed by the Regional Board.

On May 2, 2006, the State Water Resources Control Board issued General Waste Discharge Requirements for Sanitary Sewer Systems, Water Quality Order No. 2006-0003 (the “General Order”) requiring public agencies that own sanitary sewer systems comprised of more than one mile of pipes or sewer lines to develop sanitary sewer management plans and report all sanitary sewer overflows. The City is currently enrolled under the General Order and has a certified sanitary sewer management plan (the “Sewer Master Plan”). The purpose of the Sewer Master Plan is to evaluate the capacity of the City’s existing and future projected sewer collection system and provide a capital improvement plan for serving the sewer collection needs in an efficient and cost effective manner. The Sewer Master Plan did not recommend any enhancements to the Sewer System.

## Largest Sewer System Customers

The following table shows the largest customers of the Sewer System for the Fiscal Year ended June 30, 2019, as determined by annual payments.

**City of Culver City  
Ten Largest Sewer System Customers**

<i>Customer</i>	<i>Customer Type</i>	<i>Annual Payments<sup>(1)</sup></i>	<i>Percentage of Total Sewer System Revenues</i>
Lakeside Village (Villas) HOA Inc	Condominium Building	\$ 239,213	2.31%
Ring Brothers	Condominium Building	194,610	1.88
Sony Pictures Cohn219	Entertainment Business	163,028	1.57
Tara Hill HOA	Condominium Building	137,877	1.33
Westfield Culver City	Shopping Mall	126,085	1.22
Heather Village HOA	Condominium Building	120,345	1.16
Southern California Hospital at Culver City	Hospital	117,218	1.13
Raintree Condo/S Fakier	Condominium Building	102,802	0.99
CRP Centinela LP	Office Building	100,916	0.97
Fox Hills Pines HOA	Condominium Building	87,557	0.84
<b>Total</b>		<b><u>\$ 1,389,651</u></b>	<b><u>13.40%</u></b>

<sup>(1)</sup> Rounded to the nearest dollar. Reflects unaudited actual results to date. Subject to change upon completion of billing cycle and final accounting for such Fiscal Year. See the caption “—Sewer System Collection Procedures.”

Source: City.

These customers accounted for approximately 13.40% of total Sewer System Service Charge Revenues of \$10,369,057 (based on unaudited actual results to date and excluding sewer facility fees charged for and passed through to the City of Los Angeles) in Fiscal Year 2019.



## **Sewer System Rates and Charges**

**General.** The Sewer System's rates and charges are set by the City Council and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The City, however, is required to comply with the notice, hearing and majority protest provisions of Article XIID of the State Constitution, which is popularly known as Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" for further information with respect to Proposition 218.

The Public Works Department estimates Sewer System revenues and expenditures in the spring of each year, with particular attention to expected payments to the City of Los Angeles under the Sewage Disposal Agreement, based on rates adopted by the City of Los Angeles at least four months prior to the start of the Fiscal Year in which they will become effective. See the caption "—Sewage Disposal Agreement." Such estimates are provided to an independent rate consultant, which prepares an analysis of Sewer System rate levels which will be sufficient to generate adequate revenues to operate and maintain the Sewer System, including payment of debt service. Such analysis serves as the basis for proposed Sewer System rates and charges for the following Fiscal Year, which are presented to the City Council for approval prior to each July 1.

Current charges include a fixed service charge and a commodity charge based on usage in the calendar year prior to the beginning of the Fiscal Year in which such commodity charge is levied. All of such charges are collected through users' property tax bills. See the caption "—Sewer System Rates and Charges—Property Tax Collection Procedures."

The City charges a sewer facilities fee for increases in required sewer system capacity due to new construction or intensification of existing uses. The sewer facilities fee is calculated based on the square footage and type of use and is charged by separate bill to the property owner at the time of building permit issuance.

The City is subject to certain covenants with respect to the 2019 Bonds which require the City to set Sewer System rates and charges in amounts that it expects to be sufficient to pay the 2019 Bonds from Net Revenues. See the caption "SECURITY FOR THE 2019 BONDS—Rate Covenant."

The City performs rate studies for the Sewer System every five to ten years. A rate study will typically recommend annual rate adjustments over a period of two or three years following adoption of the rate study, with rate adjustments based on increases in the Consumer Price Index ("CPI") thereafter, subject to public notice and public hearings held in accordance with Proposition 218. The current rate study was completed in 2012. The City expects to complete an updated rate study for the Sewer System in Fiscal Year 2022.

On June 10, 2019, after a public hearing as required under Proposition 218 and pursuant to the current rate study, the City Council adopted Sewer System rate increases for Fiscal Year 2020 of 2.5% reflecting the increase in CPI, effective July 1, 2019. There is no assurance that the City Council will not adjust such rates in the future or that the City's ratepayers will not approve an initiative to repeal or modify any increase in wastewater service rates and charges approved by the City Council.

**Adopted Rates and Charges.** Adopted rates and charges for the Sewer System are as follows:

**City of Culver City  
Sewer Service Commodity Rates**

<i>Customer Class</i>	<i>Commodity Rate<sup>(1)</sup></i>
Single Family	0.58W x \$1.36
Multi-Family	0.85W x \$1.36
Commercial/Business	W x \$3.88
Commercial/Restaurant	W x \$7.71
Institutional	W x \$4.10
School/Public	W x \$3.16

<sup>(1)</sup> W equals usage measured in hundred cubic feet, based on water meter reading in calendar year 2018.  
Source: City.

**City of Culver City  
Fixed Annual Sewer Service Charges**

<i>Customer Class</i>	<i>Annual Charge</i>
Single Family	\$299.69
Multi-Family <sup>(1)</sup>	240.38
Commercial/Business	299.69
Commercial/Restaurant	299.69
Institutional	299.69
School/Public	299.69

<sup>(1)</sup> Rates apply to each dwelling units within a multi-family building.  
Source: City.

**Sewer System Collection Procedures**

The City bills Sewer System customers annually through their consolidated property tax bills. See the caption “—Sewer System Rates and Charges—Property Tax Collection Procedures” below for a description of collection procedures for Sewer System billings, as well as historical collection levels.

**Property Tax Collection Procedures.** As noted above, Sewer System rates and charges are collected through users’ property tax bills. The County has not adopted the tax distribution system that is commonly referred to as the “Teeter Plan” (Section 4701 *et seq.* of the State Revenue and Taxation Code), under which property taxes are delivered to taxing agencies as billed in full, with the applicable county collecting any penalty revenues. As a result, the City is exposed to the risk of delinquencies in Sewer System Revenue collections, and the City receives no late payment penalty revenues.

Property tax bills, which include 1% *ad valorem* property taxes and the City Sewer System rates and charges, are due in two installments a year and become delinquent on each December 10 and April 10. The County remits Sewer System service charge revenues to the City in seven installments through the Fiscal Year, with approximately 60% of revenues coming by February and 89% coming by April. If a property owner fails to pay the Sewer System portion of the property tax bill, the entire amount is considered delinquent and remains subject to penalties and the tax foreclosure procedures that are described below.

The exclusive means of compelling the payment of delinquent taxes with respect to secured property is the sale of the property securing the taxes for the amount of taxes that are delinquent. The secured classification includes property on which any property tax levied by a county, such as Sewer System charges in

the case of Sewer System customers, becomes a lien on that property. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, beginning on the July 1 following a delinquency, interest begins accruing at the rate of 1.5% per month on the amount delinquent. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county tax collector.

Historical collections of Sewer System service charges are set forth below.

**City of Culver City  
Historical Sewer System Service Charge Collections**

<i><b>Fiscal Year Ended June 30</b></i>	<i><b>Amount Billed</b></i>	<i><b>Current Amount Collected</b></i>	<i><b>Current Amount Collected as Percentage of Amount Billed</b></i>	<i><b>Prior Years' Delinquent Collections</b></i>
2015	\$8,502,638	\$8,433,561	99.19%	\$107,510
2016	8,913,461	8,874,161	99.56	85,498
2017	8,506,589	8,463,655	99.50	66,384
2018	8,816,926	8,553,870	97.02	78,726
2019 <sup>(1)</sup>	9,210,012	9,067,800	98.46	92,900

<sup>(1)</sup> Reflects unaudited actual results to date. Subject to change upon completion of billing cycle and final accounting for such Fiscal Year.

Source: City.

**Comparison to Nearby Service Providers.** The table below sets forth a comparison of the City's typical annual wastewater bill for a single family residential user to those of certain nearby water purveyors as of June 30, 2018, the latest date for which such information is available:

**City of Culver City  
Comparison of Annual Sewer Charges to Nearby Service Providers**

<i><b>Community</b></i>	<i><b>Average Annual Charge (Based on flat rate or water usage rate)</b></i>
<b>City of Culver City<sup>(1)</sup></b>	\$370.68
Santa Monica <sup>(2)</sup>	1,280.61
Beverly Hills <sup>(3)</sup>	524.28
Los Angeles <sup>(4)</sup>	459.90
Hawthorne <sup>(5)</sup>	400.14
Inglewood <sup>(6)</sup>	90.00

<sup>(1)</sup> Billing is on an annual basis. Dollar amount shown reflects annualized charge based on a water usage rate of 90 hundred cubic feet ("HCF").

<sup>(2)</sup> Billing is on a monthly basis. Dollar amount shown reflects annualized charge based on a water usage rate of 90 HCF.

<sup>(3)</sup> Billing is on a bi-monthly basis. Dollar amount shown reflects annualized charge based on a flat rate.

<sup>(4)</sup> Billing is on a bi-monthly basis. Dollar amount shown reflects annualized charge based on a water usage rate of 90 HCF.

<sup>(5)</sup> Billing is on a monthly basis. Dollar amount shown reflects annualized charge based on a water usage rate of 90 HCF.

<sup>(6)</sup> Billing is on a monthly basis. Dollar amount shown reflects annualized charge based on a flat rate.

Source: City.

**Future Sewer System Improvements**

The City projects total capital improvements to the Sewer System of approximately \$28 million over the next five years, including the 2019 Project, as described under the caption "PLAN OF FINANCE—The 2019 Project," the Bankfield Sewage Pump Station, the PZ-874 and Diversion Sewer Pipes to Abandon

Mesmer and the Overland Sewer Pump Stations, PZ-946. Such capital improvements are expected to be financed by a combination of the 2019 Bonds, grants and Net Revenues remaining after payment of debt service on the 2019 Bonds. The City does not anticipate entering into any additional Bonds or Contracts to finance such capital improvements.

The following table sets forth the projected Sewer System capital facilities expenditures for Fiscal Years 2019-20 through 2023-24. The City expects to finance a portion of the Bankfield Sewer Pump Station improvements using proceeds of the 2019 Bonds and may use 2019 Bond proceeds to pay for other projects listed below. The City may adjust the timing or scope of the projects listed below in the discretion of the City. The projected expenditures shown in the following table are incorporated into the projections set forth under the heading “—Projected Sewer System Operating Results and Debt Service Coverage.” See the caption “PLAN OF FINANCE—The 2019 Project” for additional information regarding the projects listed below.

<b>City of Culver City Projected Capital Improvement Expenditures</b>						
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>Total</b>
Bankfield Sewer Pump Station; Diversion Sewer Pipelines; closure of Mesmer and Overland Sewer Pump Stations <sup>(1)</sup>	\$10,000,000	\$5,000,000				\$15,000,000
Fox Hills/Bristol Diversion Pipelines			\$2,000,000	\$4,000,000		\$6,000,000
Hayden Pump Station upgrades; Jasmine Pump Station electrical control system relocation and piping reconfiguration; sewer line repairs; sewer main rehab at transfer station	500,000	500,000				\$1,000,000
Sewer pipeline inspection and rehabilitation					\$5,000,000	\$5,000,000
<b>Total</b>	<b>\$10,500,000</b>	<b>\$5,500,000</b>	<b>\$2,000,000</b>	<b>\$4,000,000</b>	<b>\$5,000,000</b>	<b>\$27,000,000</b>

<sup>(1)</sup> The City expects to pay for a portion of these improvements using proceeds of the 2019 Bonds.  
Source: City.

### Historical Sewer System Connections

The following table shows the number of connections to the Sewer System for the last five Fiscal Years, excluding existing connections which do not receive service.

#### City of Culver City Historical Sewer System Connections

<i>Fiscal Year Ended June 30</i>	<i>Single Family Residential</i>	<i>Multi-Family Family Residential</i>	<i>Commercial/ Industrial/ Other</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2015	5,660	11,001	1,378	18,039	N/A%
2016	5,651	11,018	1,377	18,046	0.04
2017	5,659	11,219	1,452	18,330	1.57
2018	5,633	11,305	1,511	18,449	0.65
2019	5,616	11,316	1,456	18,388	(0.33)

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Source: City.

### Projected Sewer System Connections

The following table shows the number of connections to the Sewer System projected by the City for the current and next four Fiscal Years.

#### City of Culver City Projected Sewer System Connections

<i>Fiscal Year Ending June 30</i>	<i>Single Family Residential</i>	<i>Multi-Family Family Residential</i>	<i>Commercial/ Industrial/ Other</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2020	5,612	11,447	1,522	18,581	1.05%
2021	5,601	11,539	1,551	18,691	0.59
2022	5,591	11,631	1,580	18,801	0.59
2023	5,580	11,722	1,609	18,911	0.59
2024	5,570	11,814	1,638	19,021	0.58

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Source: City.

## Historical Sewer System Usage

The following table shows the volume of wastewater delivered by the Sewer System to the Wastewater Treatment Plant for the last five Fiscal Years.

### City of Culver City Historical Sewer System Usage

<i>Fiscal Year Ended June 30</i>	<i>Daily Average Flow (mgd)</i>	<i>Increase/(Decrease)</i>
2015	4.166	N/A%
2016 <sup>(1)</sup>	3.411	(22.13)
2017	3.419	0.23
2018	3.616	5.45
2019	3.558	(1.63)

<sup>(1)</sup> Reduction in Sewer System usage in Fiscal Year 2016 resulted from water conservation efforts in response to draught conditions.

Source: City.

Sewer System usage is affected by a number of factors, including but not limited to the number of connections to the Sewer System. See the caption “—Historical Sewer System Connections.”

## Projected Sewer System Usage

The following table shows the volume of wastewater projected to be delivered by the Sewer System to the Wastewater Treatment Plant for the current and next four Fiscal Years.

### City of Culver City Projected Sewer System Usage

<i>Fiscal Year Ending June 30</i>	<i>Daily Average Flow (mgd)</i>	<i>Increase/(Decrease)</i>
2020	3.594	0.99%
2021	3.630	0.99
2022	3.666	0.99
2023	3.702	0.99
2024	3.739	0.99

Source: City.

Sewer System usage will be affected by a number of factors, including but not limited to the number of connections to the Sewer System. See the caption “—Projected Sewer System Connections.”

## Historical Sewer System Service Charge Revenues

Sewer System service charge revenues are affected by a number of factors, including the number of connections to the Sewer System and Sewer System usage. See the captions “—Historical Sewer System Connections” and “—Historical Sewer System Usage.”

The following table shows service charge revenues of the Sewer System for the last five Fiscal Years. Sewer facility fees for Culver City, industrial waste inspection fees, permit and other miscellaneous revenues

are included in the annual totals. Sewer facility fees collected for and passed through to the City of Los Angeles are excluded.

**City of Culver City  
Historical Sewer System Service Charge Revenues**

<i>Fiscal Year Ended June 30</i>	<i>Single Family Residential</i>	<i>Multi-Family Family Residential</i>	<i>Commercial/ Industrial/ Other</i>	<i>Sewer Facilities Fees<sup>(1)</sup></i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2015 <sup>(2)</sup>	\$1,995,425	\$3,130,064	\$3,545,947	\$ --	\$ 8,671,436	N/A%
2016	2,054,372	3,241,066	3,789,213	504,246	9,588,897	10.58
2017	1,969,894	3,209,482	3,490,540	176,294	8,846,210	(7.75) <sup>(3)</sup>
2018	2,018,538	3,231,179	3,499,759	573,132	9,322,608	5.39
2019 <sup>(4)</sup>	2,102,649	3,413,140	3,664,767	1,066,766	10,247,322	9.92

<sup>(1)</sup> Excludes sewer facility fees collected for and passed through to the City of Los Angeles.

<sup>(2)</sup> No sewer facilities fees were charged for Fiscal Year 2015.

<sup>(3)</sup> Decrease reflects a reduction in sewer facility charges collected.

<sup>(4)</sup> Reflects unaudited actual results. Subject to change upon completion of billing cycle and final accounting for such Fiscal Year. See the caption “—Sewer System Collection Procedures.”

Source: City.

**Projected Sewer System Service Charge Revenues**

The following table shows the service charge revenues of the Sewer System projected by the City for the current and next four Fiscal Years. The projections assume an annual increase in revenues of approximately 2.5% in Fiscal Years 2021 through 2024 which includes projected increases in sewer usage, development, and rate increases. All rate increases are subject to the notice, hearing and protest provisions of Proposition 218, and there can be no assurance that rate increases which are projected for Fiscal Years 2021 through 2024 will be approved. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

**City of Culver City  
Projected Sewer System Service Charge Revenues**

<i>Fiscal Year Ending June 30</i>	<i>Single Family Residential</i>	<i>Multi-Family Family Residential</i>	<i>Commercial/ Industrial/ Other</i>	<i>Sewer Facilities Fees<sup>(1)</sup></i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2020	\$2,081,757	\$3,411,869	\$4,271,865	\$ 300,000	\$ 10,065,491	(1.77)% <sup>(2)</sup>
2021	2,099,618	3,467,496	4,442,515	307,500	10,317,129	2.50
2022	2,117,479	3,523,123	4,619,267	315,188	10,575,057	2.50
2023	2,135,340	3,578,750	4,802,276	323,067	10,839,433	2.50
2024	2,153,201	3,634,377	4,991,697	331,144	11,110,419	2.50

<sup>(1)</sup> Excludes sewer facility fees collected for and passed through to the City of Los Angeles.

<sup>(2)</sup> Decrease reflects a reduction in sewer facility charges collected in the Fiscal Year 2019 unaudited actual results.

Source: City.

**Historical Sewer System Operating Results and Debt Service Coverage**

The following table is a summary of operating results of the Sewer System for the last five Fiscal Years. These results have been derived from the audited financial statements of the City, but exclude certain receipts which are not included as Revenues under the Indenture and certain non-cash items and include certain other adjustments.

**City of Culver City**  
**Historical Sewer System Operating Results**  
**Fiscal Year Ended June 30**

	2015	2016	2017	2018	2019 <sup>(1)</sup>
<b>Revenues</b>					
Sewer – Operating	\$ 8,671,436	\$ 9,084,651	\$ 8,669,916	\$ 8,749,476	\$ 9,180,556
Permits – Sewer Facility – CC <sup>(2)</sup>	--	504,246	176,294	573,132	1,066,766
Interest Income/Other	143,890	157,496	53,257	92,353	370,250
Total Revenues	\$ 8,815,326	\$ 9,746,393	\$ 8,899,467	\$ 9,414,961	\$ 10,617,572
<b>Operation and Maintenance Costs</b>					
Payments to City of Los Angeles <sup>(3)</sup>	\$ 2,760,791	\$ 3,475,430	\$ 2,651,490	\$ 1,979,250	\$ 2,588,000
Other <sup>(4)</sup>	4,098,370	4,241,358	3,990,819	2,932,610	3,645,382
Total Operation and Maintenance Costs	\$ 6,859,161	\$ 7,716,788	\$ 6,642,309	\$ 4,911,860	\$ 6,233,382
<b>Net Revenues</b>	\$ 1,956,165	\$ 2,029,605	\$ 2,257,158	\$ 4,503,101	\$ 4,384,190
<b>Debt Service</b>					
2009 Bonds Debt Service	\$ 1,590,650	\$ 1,594,475	\$ 1,588,431	\$ 1,589,213	\$ 1,585,650
Total Debt Service	\$ 1,590,650	\$ 1,594,475	\$ 1,588,431	\$ 1,589,213	\$ 1,585,650
<b>Debt Service Coverage</b>	1.23	1.27	1.42	2.83	2.76

<sup>(1)</sup> Reflects unaudited actual results and receipt of one-time revenues, including sewer facilities fees. Subject to change upon completion of billing cycle and final accounting for such Fiscal Year. See the caption “—Sewer System Collection Procedures.”

<sup>(2)</sup> Includes industrial waste inspection fees, sewer facility fees for Culver City, permit and other miscellaneous income. Excludes sewer facility fees collected for and passed through to the City of Los Angeles.

<sup>(3)</sup> Reflects actual payments to the City of Los Angeles made in each Fiscal Year pursuant to the Sewage Disposal Agreement, including reconciliation payments to the City of Los Angeles made for prior Fiscal Years. See the caption “—Sewage Disposal Agreement.”

<sup>(4)</sup> Includes operating expenses such as salaries, other contractual services, and special sewer equipment & supplies. Excludes sewer facility fees collected for and passed through to the City of Los Angeles.

Source: City.

**Projected Sewer System Operating Results and Debt Service Coverage**

Estimated projected operating results for the Sewer System for the current and next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the City’s estimate of projected financial results based on a variety of assumptions, including those set forth in the footnotes to the table set forth below. All of such assumptions are material in the development of the City’s financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. See the caption “CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions.”



**City of Culver City**  
**Projected Sewer System Operating Results**  
**Fiscal Year Ending June 30**

	2020 <sup>(1)</sup>	2021	2022	2023	2024
<b>Revenues</b>					
Sewer – Operating <sup>(2)</sup>	\$ 9,765,491	\$ 10,009,629	\$ 10,259,869	\$ 10,516,366	\$ 10,779,275
Permits – Sewer Facility – CC <sup>(3)</sup>	300,000	307,500	315,188	323,067	331,144
Interest Income/Other <sup>(4)</sup>	210,899	177,518	157,374	119,016	71,617
Total Revenues	\$ 10,276,391	\$ 10,494,646	\$ 10,732,431	\$ 10,958,450	\$ 11,182,036
<b>Operation and Maintenance Costs</b>					
Payments to City of Los Angeles <sup>(5)</sup>	\$ 2,932,045	\$ 3,452,800	\$ 3,170,200	\$ 3,072,100	\$ 3,153,300
Other <sup>(6)</sup>	4,595,333	4,733,193	4,875,189	5,021,444	5,172,088
Total Operation and Maintenance Costs	\$ 7,527,378	\$ 8,185,993	\$ 8,045,389	\$ 8,093,544	\$ 8,325,388
<b>Net Revenues</b>	\$ 2,749,013	\$ 2,308,653	\$ 2,687,042	\$ 2,864,905	\$ 2,856,648
<b>Debt Service</b>					
2009 Bonds Debt Service <sup>(7)</sup>	\$ 1,241,919				
2019 Bonds Debt Service*	315,244	1,323,000	1,522,850	1,604,825	1,614,325
Total Debt Service*	\$ 1,557,163	\$ 1,323,000	\$ 1,522,850	\$ 1,604,825	\$ 1,614,325
<b>Debt Service Coverage*</b>	1.77	1.75	1.76	1.79	1.77

\* Preliminary, subject to change.

(1) Based on Fiscal Year 2020 adopted budget with certain adjustments.

(2) Based on projected Sewer System Revenues described under the caption “—Projected Sewer System Service Charge Revenues” including revenue increases of approximately 2.5% per annum in Fiscal Years 2021 through 2024 to account for projected increases in sewer usage, development, and rate increases. All rate increases are subject to the notice, hearing and protest provisions of Proposition 218, and there can be no assurance that rate increases which are projected for Fiscal Years 2021 through 2024 will be approved. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

(3) Includes industrial waste inspection fees, sewer facility fees for Culver City, permit and other miscellaneous income. Excludes sewer facility fees collected for and passed through to the City of Los Angeles.

(4) Reflects projected investment returns of approximately 1% per annum.

(5) Reflects projected payments to the City of Los Angeles pursuant to the Sewage Disposal Agreement. Payment for Fiscal Year 2020 reflects the actual payments expected to be made to the City of Los Angeles for Fiscal Year 2020 and the reconciliation payment for Fiscal Year 2018. Payments for Fiscal Years 2021 through 2024 are based on projections provided to the City by the City of Los Angeles. Actual payments to the City of Los Angeles may vary significantly from such projections. See the caption “—Sewage Disposal Agreement.”

(6) Projected to increase by approximately 3% per annum. Fiscal Year 2020 budgeted amount includes operating expenses such as salaries, other contractual services, and special sewer equipment & supplies. Excludes sewer facility fees collected for and passed through to the City of Los Angeles.

(7) See the caption “REFUNDING PLAN” for a discussion of the defeasance of the 2009 Bonds on or about the date of issuance of the 2019 Bonds

Source: City.

## CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

### Article XIII B

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority, special district or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (a) the financial responsibility for a service is transferred to another public entity or to a private entity; (b) the financial source for the provision of services is transferred from taxes to other revenues; or (c) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations that are subject to Article XIII B generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (i) regulatory licenses, user charges, and user fees (but only to the extent that such proceeds exceed the cost reasonably borne by the entity in providing the service or regulation); and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts that are permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness that were existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters, and payments that are required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

The City is of the opinion that its charges for Sewer Service do not exceed the costs that it reasonably bears in providing such service and therefore are not subject to the limits of Article XIII B. See the caption “SECURITY FOR THE 2019 BONDS—Rate Covenant” for a description of the City’s covenant to set rates and charges for the Sewer Service.

### Proposition 218

**General.** An initiative measure entitled the “Right to Vote on Taxes Act” (the “**Initiative**”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Articles XIII C and XIII D to the State Constitution. According to the “Title and Summary” of the Initiative prepared by the State Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

**Article XIII D.** Article XIII D defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIII D further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency which imposes or increases any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or

charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, because fees for wastewater service are a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fees or charges may be limited by a majority protest.

In addition, Article XIID includes a number of limitations that are applicable to existing fees and charges, including provisions to the effect that: (a) revenues that are derived from the fee or charge may not exceed the funds which are required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge that is imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; and (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water and wastewater services that are “primarily based on the amount consumed” (i.e., metered water or wastewater rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The State Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “**Bighorn Case**”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City complied with the notice, hearing and protest procedures in Article XIID, as further explained by the State Supreme Court in the *Bighorn Case*, with respect to the wastewater rate increases that were approved on June 10, 2019. See the caption “THE SEWER SYSTEM OF THE CITY—Sewer System Rates and Charges—Adopted Rates and Charges.”

On April 20, 2015, the California Court of Appeal, Fourth City, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (the “**SJC Case**”) upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The City does not currently expect the decision in the *SJC Case* to affect its rate structure. The City believes that its current sewer rates comply with the requirements of Proposition 218 because they are cost-based and expects that any future sewer rate increases will comply with Proposition 218’s procedural and substantive requirements to the extent applicable thereto.

**Article XIIC.** Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn Case* that the provisions of Article XIIC applied to rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On November 15, 2018, the California Court of Appeal, Third District, issued an opinion in *Wilde v. City of Dunsmuir* (2018) 29 Cal.App.5th 158 (the “**Wilde Case**”) holding that taxpayers have the right under the Initiative to place a referendum on the ballot and vote on whether to repeal a city’s water rates. The *Wilde Case* concerned increases in water rates to fund specific water storage and delivery projects of the city (rather

than to fund general operations of a water system) which the court concluded were legislative in nature and therefore subject to referendum. [The City has reviewed the *Wilde* Case decision and determined that the decision does not directly impact the City and its sewer rate structure.]

In any event, the City does not believe that Article XIII C grants to the voters within the City the power (whether by initiative under Article XIII C or otherwise, or by referendum, which is not authorized under Article XIII C) to repeal or reduce rates and charges for the Sewer Service in a manner that would interfere with the contractual obligations of the City or the obligation of the City to maintain and operate the Sewer System. However, there can be no assurance as to the availability of particular remedies adequate to protect the Beneficial Owners of the Bonds. Remedies that are available to Beneficial Owners of the Bonds in the event of a default by the City are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies which are contained in the applicable documents themselves, the rights and obligations with respect to the Bonds, the Indenture is subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

## **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C 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 to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (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 XIII D. Proposition 26 applies to charges imposed or increased after November 2, 2010 and 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 believes that its sewer rates and charges are not taxes under Proposition 26.

## **Future Initiatives**

Articles XIII B, XIII C and XIII D and Proposition 26 were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the City's revenues or ability to increase revenues.

## **CERTAIN RISKS TO BONDHOLDERS**

*The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the 2019 Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the 2019 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the 2019 Bonds.*

### **Limited Obligations**

The obligation of the City to pay the 2019 Bonds is a limited obligation of the City and is not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues. The obligation of the City to pay the 2019 Bonds does not constitute an obligation of the City to levy or pledge any general taxes or for which the City has levied or pledged any general taxes.

### **Accuracy of Assumptions**

To estimate the revenues that are available to pay debt service on the 2019 Bonds, the City has made certain assumptions with regard to the rates and charges to be imposed in future years, the expenses associated with operating the Sewer System and the interest rate at which funds will be invested. The City believes these assumptions to be reasonable, but to the extent that any of these assumptions fail to materialize, the Net Revenues available to pay debt service on the 2019 Bonds will, in all likelihood, be less than those projected herein. See the caption “THE SEWER SYSTEM OF THE CITY—Projected Sewer System Operating Results and Debt Service Coverage.” The City may choose, however, to maintain compliance with the rate covenant that is set forth in the Indenture in part by means of contributions from the Rate Stabilization Fund or other available reserves or resources. In such event, Net Revenues may generate amounts which are less than 1.20 times Debt Service in any given Fiscal Year. See the captions “SECURITY FOR THE 2019 BONDS—Rate Stabilization Fund” and “SECURITY FOR THE 2019 BONDS—Rate Covenant.”

### **System Demand**

There can be no assurance that the demand for sewer services will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the rate covenant. Demand for sewer services could be reduced as a result of hydrological conditions, conservation efforts (including in response to drought), an economic downturn or other factors. In addition, reduced demand in a given calendar year could lead to a reduction in Revenues in future years, because Sewer System rates and charges Sewer System customers are based on such customers’ Sewer System usage in the prior calendar year. See the caption “THE SEWER SYSTEM OF THE CITY—Sewer System Rates and Charges—Adopted Rates and Charges” and “CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions.”

### **System Expenses**

There can be no assurance that the City’s expenses will be consistent with the descriptions in this Official Statement. Operation and Maintenance Costs may vary with labor costs (including costs related to pension liabilities), treatment costs, regulatory compliance costs and other factors. Increases in expenses could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE 2019 BONDS—Rate Covenant.”

Payments to the City of Los Angeles for treatment of the City’s wastewater flow at the Wastewater Treatment Plant constitute a significant component of the Sewer System’s Operation and Maintenance Costs.

See the caption “THE SEWER SYSTEM OF THE CITY—Sewage Disposal Agreement.” Costs of wastewater treatment are determined by the City of Los Angeles and the City has little control over such determinations. Increases in wastewater treatment costs or changes in the operation of the Wastewater Treatment Plant could lead to increases in Sewer System Operation and Maintenance Costs. Any such increases in Operation and Maintenance Costs could require an increase in rates or charges in order to comply with the rate covenant. All rate increases are subject to State Constitutional procedural provisions and there can be no assurance of the City’s ability to pass through increases in Operation and Maintenance Costs to Sewer System customers. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES.” The City’s sewer revenues shown under the caption “THE SEWER SYSTEM OF THE CITY” excluded amounts collected for and passed through to the City of Los Angeles.

### **Limited Recourse on Default**

If the City defaults on its obligation to pay the principal of and interest on the 2019 Bonds, the Trustee has the right to declare the total unpaid principal of the 2019 Bonds, together with the accrued interest thereon to be immediately due and payable. However, in the event of a default and such acceleration there can be no assurance that the City will have sufficient funds to pay the accelerated amounts due on the 2019 Bonds from Net Revenues.

### **Rate-Setting Process under Proposition 218**

Proposition 218, which added Articles XIII C and XIII D to the State Constitution, affects the City’s ability to maintain existing rates and impose rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of majority protest or initiative, the City might thereafter be unable to generate Net Revenues in the amounts required by the Indenture to pay the 2019 Bonds. The City believes that its current sewer rates approved by the City Council were effected in compliance with the public hearing and majority protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

### **Statutory and Regulatory Compliance**

Laws and regulations governing the collection, treatment and disposal of wastewater are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the Sewer System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Sewer System or from other legally available sources. In addition to claims by private parties, changes in the standards for public agency sewer systems such as that operated by the City may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders could also impose substantial additional costs on the City. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the City to generate Net Revenues sufficient to pay the 2019 Bonds.

### **Natural Disasters**

The occurrence of any natural disaster in the City, including, without limitation, fire, earthquake, landslide, high winds, drought or flood, could have an adverse material impact on the economy within the City, the Sewer System and the revenues available for the payment of the 2019 Bonds. Portions of the Sewer System may be at risk of damage or destruction from wildfires or subject to unpredictable seismic activity. The City is not required to maintain earthquake insurance under the Indenture, although it currently maintains such insurance. See the captions “THE CITY—City Insurance.”

The occurrence of natural disasters in the City's service area could result in substantial damage to the Sewer System which, in turn, could substantially reduce revenue generated by the Sewer System and affect the ability of the City to pay the 2019 Bonds. The City maintains liability insurance for the Sewer System and property casualty insurance for certain portions of the Sewer System. 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.

Furthermore, as described under the caption "THE CITY—City Insurance," significant portions of the Sewer System, including subsurface pipelines are not covered by property casualty insurance. Damage to such portions of the Sewer System as a result of natural disasters would result in uninsured losses to the City.

### **Cybersecurity**

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. To date, there have been no significant, cyber-attacks on the City's computers and technologies.

While the City is routinely maintaining its technology systems and continuously implementing new information security controls, no assurances can be given that the City's security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the City's computer and technology could negatively impact the City's operations, and the costs related to such attacks could be substantial.

### **Limitations on Remedies**

The ability of the City to comply with its covenants under the Indenture and to generate Net Revenues in amounts that are sufficient to pay principal of and interest on the 2019 Bonds may be adversely affected by actions and events outside of the control of the City or actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218." Furthermore, the remedies available to the owners of the 2019 Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition, usual equity principles may limit the specific enforcement under State law of certain remedies, as may the exercise by the United States of America of the powers delegated to it by the federal Constitution, and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the 2019 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations, or modification of their rights. Remedies may be limited because the Sewer System serves an essential public purpose.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State. The opinion to be delivered by Bond Counsel concurrently with the issuance of the 2019 Bonds will be subject to such limitations, and the various other legal opinions to be delivered concurrently with the issuance of the 2019 Bonds will be similarly qualified. See Appendix C. In the event that the City fails to comply with its covenants under the Indenture or fails to pay principal of and interest on the 2019 Bonds, there can be no assurance as to the availability of remedies adequate to protect the interest of the holders of the 2019 Bonds.

## **Loss of Tax Exemption**

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the 2019 Bonds, the City has covenanted in the Indenture to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “**Code**”), and not to take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the 2019 Bonds under Section 103 of the Code. Interest on the 2019 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such 2019 Bonds as a result of acts or omissions of the City in violation of this or other covenants in the Indenture applicable to the 2019 Bonds. The 2019 Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions of the Indenture. See the caption “TAX MATTERS.”

## **Secondary Market**

There can be no guarantee that there will be a secondary market for the 2019 Bonds or, if a secondary market exists, that the 2019 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

## **Parity Obligations**

The Indenture permits the City to enter into additional Contracts and issue additional Bonds which are payable from Net Revenues on a parity with the 2019 Bonds, subject to the terms and conditions set forth therein. The entry into of additional Contracts or the issuance of Bonds could result in reduced Net Revenues available to pay the 2019 Bonds. The City has covenanted to maintain Debt Service coverage of 120%, as further described under the caption “SECURITY FOR THE 2019 BONDS—Additional Indebtedness.”

## **APPROVAL OF LEGAL PROCEEDINGS**

The valid, legal and binding nature of the 2019 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix C, and such legal opinion will be attached to each 2019 Bond. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and by the City Attorney, for the Underwriter by its counsel, Nixon Peabody LLP, and for the Trustee by its counsel.

## **LITIGATION**

At the time of delivery of and payment for the 2019 Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the City, threatened against the City affecting the existence of the City or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2019 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the 2019 Bonds, the Indenture, or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the 2019 Bonds or any action of the City contemplated by any of said documents, nor to the knowledge of the City, is there any basis therefor.



## **TAX MATTERS**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond 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 2019 Bonds 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 Bond Counsel, interest (and original issue discount) on the 2019 Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2019 Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2019 Bonds to assure that interest (and original issue discount) on the 2019 Bonds 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) on the 2019 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2019 Bonds. The City has covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a 2019 Bond (the first price at which a substantial amount of the 2019 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such 2019 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable 2019 Bond. The amount of original issue discount that accrues to the Beneficial Owner of a 2019 Bond is excluded from the gross income of such Beneficial 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.

The amount by which a 2019 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2019 Bond (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 Code; such amortizable bond premium reduces the 2019 Bond Owner's basis in the applicable 2019 Bond (and the amount of tax-exempt interest received with respect to the 2019 Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2019 Bond Owner realizing a taxable gain when a 2019 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2019 Bond to the Owner. Purchasers of the 2019 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

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 2019 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2019 Bonds might be affected as a result of such an audit of the 2019 Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2019 Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2019 Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2019 BONDS THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE 2019 BONDS INCLUDING THE IMPOSITION OF

ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2019 BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2019 BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2019 BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2019 BONDS, 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 2019 BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2019 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any 2019 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the 2019 Bonds is excluded from gross income for federal income tax purposes provided that the City continue to comply with certain requirements of the Code, the ownership of the 2019 Bonds and the accrual or receipt of interest (and original issue discount) on the 2019 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2019 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2019 Bonds.

Should interest (and original issue discount) on the 2019 Bonds become includable in gross income for federal income tax purposes, the 2019 Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

## **RATING**

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned the 2019 Bonds the rating of "  ". There is no assurance that the rating given to the 2019 Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2019 Bonds. Such rating reflects only the views of S&P, and an explanation of the significance of such rating may be obtained from S&P. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The City has covenanted in a Continuing Disclosure Certificate to file notices of any rating changes on the 2019 Bonds with EMMA. See the caption "CONTINUING DISCLOSURE" and Appendix E. Notwithstanding such covenant, information relating to rating changes on the 2019 Bonds may be publicly available from the rating agencies prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the 2019 Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current ratings with respect to the 2019 Bonds after the initial issuance of the 2019 Bonds.

In providing a rating on the 2019 Bonds, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology, which may not reflect the provisions of the Indenture. The City makes no representations as to any such calculations, and such calculations should not be construed as a representation by the City as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

### **MUNICIPAL ADVISOR**

The City has retained Urban Futures, Inc. as municipal advisor (the “**Municipal Advisor**”) in connection with the issuance of the 2019 Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

### **UNDERWRITING**

The 2019 Bonds will be purchased by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”), pursuant to a purchase contract, dated the date hereof (the “**Purchase Contract**”), by and between the City and the Underwriter. Under the Purchase Contract, the Underwriter has agreed to purchase all, but not less than all, of the 2019 Bonds for an aggregate purchase price of \$\_\_\_\_\_ (representing the principal amount of the 2019 Bonds, less an Underwriter’s discount of \$\_\_\_\_\_, plus/less a net original issue premium/discount of \$\_\_\_\_\_). The Purchase Contract provides that the Underwriter will purchase all of the 2019 Bonds 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 initial public offering prices stated on the inside cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2019 Bonds to certain dealers (including dealers depositing 2019 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

### **CONTINUING DISCLOSURE**

The City has covenanted in a Continuing Disclosure Certificate for the benefit of the holders and Beneficial Owners of the 2019 Bonds to provide certain financial information and operating data relating to the City by not later than April 1 following the end of the City’s Fiscal Year (currently its Fiscal Year ends on June 30) (the “**Annual Report**”), commencing on April 1, 2020 with the report for Fiscal Year ended June 30, 2019, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with EMMA, which is maintained on the Internet at <http://emma.msrb.org/>. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth in Appendix E. These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission (the “**Rule**”).

The City and its related entities, including the Culver City Redevelopment Agency (the “**Redevelopment Agency**”), previously entered into certain disclosure undertakings under the Rule.

During the past five years, the Successor Agency, as successor to the Redevelopment Agency, failed to comply with certain of its respective undertakings. The Successor Agency failed to file notices relating to certain insurer-related rating changes and certain underlying rating changes with respect to multiple series of bonds. Except as disclosed in the prior sentence, the City has not in the past five years failed to comply with any previous continuing disclosure undertaking in any material respect.

To ensure compliance with its continuing disclosure undertakings under the Rule in the future, the City has appointed the Chief Financial Officer of the City to coordinate, on behalf of the City and its related entities, including the Successor Agency, the preparation and filing of annual disclosure reports by the City and its related entities, including the Successor Agency, and has adopted policies and procedures related thereto (the “**Disclosure Policies and Procedures**”). In addition, the City and the Successor Agency have engaged a consultant to serve as dissemination agent with respect to its undertakings under the Rule and to assist the City’s Chief Financial Officer and other City staff with the preparation of documents and other information to be provided by the dissemination agent in the future in accordance with the Rule.

#### **FINANCIAL INTERESTS**

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel and counsel to the Underwriter are contingent upon the issuance and delivery of the Bonds.

#### **MISCELLANEOUS**

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2019 Bonds.

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

#### **CITY OF CULVER CITY**

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

**APPENDIX A**  
**FINANCIAL STATEMENTS**

## **APPENDIX B**

### **DEFINITIONS AND SUMMARY OF THE INDENTURE**

*The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.*

[TO COME]

## APPENDIX C

### FORM OF OPINION OF BOND COUNSEL

*Upon issuance of the 2019 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

\_\_\_\_\_, 2019

City of Culver City  
Culver City, California

*Re: City of Culver City Wastewater Facilities Revenue Bonds, 2019 Series A*

Members of the City Council:

We have examined a certified copy of the record of the proceedings of the City of Culver City (the “City”) relative to the issuance of the \$\_\_\_\_\_ City of Culver City Wastewater Facilities Revenue Bonds, 2019 Series A (the “2019 Bonds”), dated the date hereof, and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the City, the initial purchaser of the 2019 Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2019 Bonds are being issued pursuant to an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2019 (the “Indenture”), by and between the City and U.S. Bank National Association, as trustee (the “Trustee”). The 2019 Bonds mature on the dates and in the amounts referenced in the Indenture. The 2019 Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The 2019 Bonds are registered in the form set forth in the Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings of the City show lawful authority for the issuance and sale of the 2019 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the City. Assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2019 Bonds and the Indenture are valid and binding obligations of the City enforceable against the City in accordance with their terms.

2. The obligation of the City to make the payments of principal of and interest on the 2019 Bonds from Net Revenues (as such term is defined in the Indenture) is an enforceable obligation of the City and does not constitute an indebtedness of the City in contravention of any constitutional or statutory debt limit or restriction.

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, interest (and original issue discount) on the 2019 Bonds 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. Interest (and original issue discount) on the 2019 Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a 2019 Bond (the first price at which a substantial amount of the 2019 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2019 Bond constitutes original issue discount. Original issue discount accrues under a constant yield

method, and original issue discount will accrue to a 2019 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2019 Bond owner will increase the 2019 Bond Owner's basis in the applicable 2019 Bond. The amount of original issue discount that accrues to the 2019 Bond Owner is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations and is exempt from State personal income tax.

6. The amount by which a 2019 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2019 Bond (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 2019 Bond Owner's basis in the applicable 2019 Bond (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 2019 Bond premium may result in a 2019 Bond Owner realizing a taxable gain when a 2019 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2019 Bond to the Owner. Purchasers of the 2019 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the 2019 Bonds are based upon certain representations of fact and certifications made by the City and are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2019 Bonds to assure that such interest (and original issue discount) on the 2019 Bonds 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) on the 2019 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2019 Bonds. The City has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not 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. Our engagement ends as of the date of issuance of the 2019 Bonds. The Indenture and the Tax Certificate relating to the 2019 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) on the 2019 Bonds for federal income tax purposes with respect to any 2019 Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2019 Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2019 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

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.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2019 Bonds or other offering material relating to the 2019 Bonds and expressly disclaim any duty to advise the owners of the 2019 Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,



## APPENDIX D

### INFORMATION CONCERNING DTC

*The information in this section concerning DTC and DTC's book entry only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2019 Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2019 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2019 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2019 Bonds. The 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2019 Bond will be issued for each annual maturity of the 2019 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2019 Bonds ("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 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2019 Bonds, except in the event that use of the book entry system for the 2019 Bonds is discontinued.

To facilitate subsequent transfers, all 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2019 Bonds documents. For example, Beneficial Owners of 2019 Bonds may wish to ascertain that the nominee holding the 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2019 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2019 Bond Owner shall give notice to elect to have its 2019 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2019 Bond by causing the Direct Participant to transfer the Participant's interest in the 2019 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2019 Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2019 Bond are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered 2019 Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2019 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The City may decide to discontinue use of the Sewer System of book entry only transfers through DTC (or a successor securities depository). In that event, 2019 Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK ENTRY ONLY SYSTEM IS USED FOR THE 2019 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2019 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

*Upon issuance of the 2019 Bonds, the City proposes to enter into a Continuing Disclosure Certificate in substantially the following form:*

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Culver City (the “City”) in connection with the execution and delivery of the \$\_\_\_\_\_ City of Culver City Wastewater Facilities Revenue Bonds, 2019 Series A (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of \_\_\_\_ 1, 2019 (the “Indenture of Trust”), by and between the City and U.S. Bank National Association, as trustee (the “Trustee”). The City covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions that are set forth in the Indenture of Trust, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term “Annual Report” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Financial Obligation. The term “Financial Obligation” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Fiscal Year. The term “Fiscal Year” means the period from July 1 of each year through June 30 of the following year, or any other twelve-month period that is selected and designated as the official Fiscal Year of the City. In the event of additional changes in the City’s Fiscal Year, the City shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

Holder. The term “Holder” means a registered owner of the Bonds.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement of the City dated \_\_\_\_\_, 2019 delivered in connection with the issuance of the Bonds.

Participating Underwriter. The term “Participating Underwriter” means the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The City shall provide to EMMA not later than each April 1 following the end of its Fiscal Year (commencing with the Annual Report that will be due April 1, 2020) an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate; provided that such initial Annual Report shall consist solely of the Official Statement and the City’s audited financial statements for Fiscal Year 2018-19. Each such Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the City is unable to provide to EMMA an Annual Report by the date required in subsection (a), the City shall send to EMMA a notice in substantially the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Principal amount of the Bonds outstanding.

(c) An update of the information substantially in the form of the following tables under the caption entitled “THE SEWER SYSTEM OF THE CITY” in the Official Statement:

1. Historical Sewer System Connections;
2. Historical Sewer System Usage;
3. Historical Sewer System Service Charge Revenues;
4. Ten Largest Sewer System Customers; and
5. Historical Sewer System Operating Results Fiscal Year Ended June 30.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further that the City shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bondholders;
3. optional, unscheduled or contingent Bond calls;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. appointment of a successor or additional trustee or the change of the name of a trustee.
8. Incurrence of a Financial Obligation of the City, if material, or agreement to

covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.

(c) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the City shall provide to any person financial information and operating data regarding the City which is customarily prepared by the City and is publicly available.

7. Termination of Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that in the opinion of nationally recognized bond counsel: (i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the City or its business; (ii) this Disclosure Certificate, as amended, would have complied with the requirements of the Rule at the time of the initial issuance of the Bonds, after taking into account amendments and interpretations of the Rule and changes in circumstances; and (iii) the amendment does not materially impair the interests of Holders or Beneficial Owners of the Bonds or the amendment is approved by a majority vote of the Holders.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture of Trust, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

12. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the Municipal Securities Rulemaking Board in accordance with this Disclosure Certificate shall be provided in an electronic format prescribed by the Municipal Securities Rulemaking Board and shall be accompanied by identifying information as prescribed by the Municipal Securities Rulemaking Board.

Dated: \_\_\_\_ \_\_, 2019

CITY OF CULVER CITY

By: \_\_\_\_\_  
Its: \_\_\_\_\_