

RESOLUTION NO. 2015-35

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA AUTHORIZING THE ISSUANCE OF ITS 2015 GENERAL OBLIGATION REFUNDING BONDS, AUTHORIZING AND DIRECTING THE EXECUTION OF A PAYING AGENT AGREEMENT AND CERTAIN OTHER RELATED DOCUMENTS, AND AUTHORIZING ACTIONS RELATED THERETO

WHEREAS, the City of Marina (the "City") has heretofore issued its \$8,000,000 General Obligation Bonds, Election of 2002, Series 2005 (the "Prior Bonds"); and

WHEREAS, the City now desires to issue its 2015 General Obligation Refunding Bonds (the "Bonds") in order to refund, on a current basis, the Prior Bonds, in order to achieve debt service savings and lower the property tax override levied on the property owners of the City to pay debt service on the Prior Bonds; and

WHEREAS, to provide for development of the most favorable debt structure for the City and to ensure the most favorable reception in the market place for the Bonds, the City has determined to sell the Bonds by negotiated sale pursuant to the terms of a Bond Purchase Agreement (the "Bond Purchase Agreement") by and between the City and Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter"); and

WHEREAS, the City Council of the City has duly considered such transactions and desires at this time to approve said transactions and the documents related thereto;

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

Section 1. Findings and Determinations. Pursuant to Section 53552 of the Refunding Law (hereinafter defined), the City Council of the City hereby finds and determines that the prudent management of the fiscal affairs of the City requires that the Bonds be issued under the authority of Articles 9 and 11 (commencing with Section 53550) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "Refunding Law"), the Paying Agent Agreement (as defined below) and this Resolution. The total net interest cost to maturity on the Bonds plus the principal amount of the Bonds shall not exceed the total net interest cost to maturity on the Prior Bonds plus the principal amount of the Prior Bonds.

Section 2. Approval of Paying Agent Agreement. The proposed form of Paying Agent Agreement by and between the City and MUFG Union Bank, N.A. (the "Paying Agent"), which is on file with the City Clerk (the "Paying Agent Agreement") is hereby approved, and the Mayor, the City Manager and the Finance Director of the City (collectively, the "Authorized Officers"), each acting alone, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Paying Agent Agreement in substantially said form, with said additions thereto (including the insertion of the maturity dates, principal amounts and interest rates of the Bonds) and changes therein as the Authorized Officers, each acting alone, may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Approval of Form of Bonds. The form of Bonds set forth in the form of Paying Agent Agreement is hereby approved, and the Authorized Officers of the City, each acting alone, are hereby authorized and directed to execute the Bonds in the name and on behalf of the City, and the City Clerk is hereby authorized and directed to attest the Bonds in the name and on behalf of the City and under its seal. The Authorized Officers shall cause the delivery of the Bonds as provided for below.

Section 4. Sale and Issuance of Bonds. The City Council of the City hereby approves the sale of the Bonds by negotiation pursuant to the Bond Purchase Agreement in substantially the form on file with the City Clerk together with any changes therein or additions thereto approved by an Authorized Officer, whose execution thereof shall be conclusive evidence of approval to any such changes or additions. The Bond Purchase Agreement shall be executed in the name and on behalf of the City by an Authorized Officer, who is hereby authorized and directed to execute and deliver said form of Bond Purchase Agreement on behalf of the City. Notwithstanding anything herein to the contrary, the aggregate principal amount of Bonds to be issued shall not exceed \$9,000,000, and the Bonds shall be issued only if such issuance results in net present value debt service savings of not less than 3.00%, and the Underwriter's discount or fee (excluding original issue discount, if any) for the Bonds shall not exceed 0.60% of the principal amount of the Bonds. Pursuant to Section 53583(c)(1) of the Government Code of the State of California, the Bonds shall be sold on a negotiated basis and at a price, above or below par, as the Authorized Officer executing the Bond Purchase Agreement determines.

In order to achieve the debt service savings specified in the preceding paragraph, the City Manager and the Finance Director of the City may determine to refund less than all of the Prior Bonds.

Section 5. Approval of Preliminary and Final Official Statement. The form of Preliminary Official Statement as presented to this meeting is hereby approved. The Authorized Officers are hereby authorized and directed, for and on behalf of the City, to execute all certificates necessary to deem final the Preliminary Official Statement as of its date, with the exception of certain final pricing and related information. The Authorized Officers are hereby authorized and directed, for and on behalf of the City, to execute and deliver the final Official Statement. The use and distribution of said Preliminary Official Statement and use and distribution of the final Official Statement in connection with the sale of the Bonds is hereby ratified and approved.

Section 6. Bond Insurance. The City Manager and the Finance Director of the City, each acting alone, are hereby authorized to take any and all action that they deem necessary to qualify the bonds for municipal bond insurance.

Section 7. Delegation of Authority to Authorized Officer. The Authorized Officers are hereby authorized and directed to execute, sign and deliver any and all approvals, certificates, statements, requests, requisitions and orders of the City in connection with the sale and issuance of the Bonds, the purchase of the Bonds and the other transactions described herein. The Authorized Officers may authorize such other officers of the City as they deem appropriate to undertake any of the actions that they are authorized or directed to undertake pursuant hereto.

Section 8. General Authority. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the transactions described herein or to otherwise effectuate the purposes of this resolution, including refunding instructions or directions relating to the defeasance and redemption of the Prior Bonds and preparing, or causing to be prepared, and executing all appropriate disclosure documents relating to the Bonds and agreements necessary to comply with the disclosure requirements of Rule 15c2-12, as amended, of the Securities and Exchange Commission. Any such actions previously taken by such officers are hereby ratified and confirmed.

Section 9. Severability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect any remaining provisions hereof.

Section 10. Effective Date. This resolution shall take effect from and after the date of its passage and adoption.

PASSED, APPROVED AND ADOPTED this 7th day of April, 2015, by the following roll call vote:

AYES, COUNCIL MEMBERS: Amadeo, Brown, Morton, O'Connell, Delgado
NOES, COUNCIL MEMBERS: None
ABSENT, COUNCIL MEMBERS: None
ABSTAIN, COUNCIL MEMBERS: None

CITY OF MARINA

Bruce C. Delgado, Mayor

ATTESTED:

Anita Sharp, Deputy City Clerk

I HEREBY CERTIFY that the foregoing resolution was duly and regularly passed and adopted by the City Council of the City of Marina at a regular meeting thereof held on the 7th day of April, 2015, and that the foregoing is a full, true and correct copy of said Resolution.

Anita Sharp, Deputy City Clerk

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 8, 2015

NEW ISSUE - FULL BOOK-ENTRY

RATING: Standard & Poor's: "___"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS - Tax Exemption."

\$ _____*

CITY OF MARINA**2015 General Obligation Refunding Bonds****Dated: Date of Delivery****Due August 1, as shown on inside front cover**

Issuance. The general obligation refunding bonds captioned above (the "Bonds") are being issued by the City of Marina, California (the "City") under provisions of the California Government Code, under a Resolution adopted by the City Council of the City (the "City Council") on April 7, 2015 (the "Bond Resolution") and a Paying Agent Agreement dated as of May 1, 2015, between the City and MUFJ Union Bank, N.A., as paying agent (the "Paying Agent"). See "THE BONDS - Authority for Issuance."

Purpose. The Bonds are being issued to refinance all of the City of Marina (County of Monterey) General Obligation Bonds, Election of 2002, Series 2005 issued in the original principal amount of \$8,000,000 (the "Prior Bonds"). See "REFINANCING PLAN."

Security. The Bonds are general obligations of the City, payable solely from *ad valorem* property taxes levied by the City and collected by Monterey County (the "County"). The City Council is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the City, without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE BONDS."

Book-Entry Only. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds are issuable as fully registered securities in denominations of \$5,000 or any integral multiple of \$5,000. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds. See "THE BONDS" and "APPENDIX E - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payments. Interest on the Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2015. Payments of principal and interest on the Bonds will be paid by the Paying Agent, to DTC for subsequent disbursement to DTC Participants, which will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS - Description of the Bonds."

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "THE BONDS - Redemption."

Maturity Schedule
(See inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the City, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the City. Certain legal matters are being passed upon for the City by the City Attorney and for the Underwriter by their counsel, Nossaman, LLP, Irvine, California. It is anticipated that the Bonds, in book entry form, will be available for delivery through the facilities of DTC in New York, New York, on or about May __, 2015.

[STIFEL LOGO]

The date of this Official Statement is _____, 2015.

* Preliminary; subject to change.

MATURITY SCHEDULE
(Base CUSIP[†] _____)

\$_____ Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u>
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\$_____ % Term Bond Due August 1, 20__; Yield: __%; Price: ____; CUSIP[†] No.: ____

[©] Priced to the par call date of August 1, 20__.

[†] Copyright 2015, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the City or the Underwriter. This Official Statement and the information contained herein are subject to completion or amendment without notice.

No Offering Except by This Official Statement. 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 relating to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the City and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by the City.

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the City, or the other parties described in this Official Statement, or the condition of the property within the City since the date of this Official Statement.

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

CITY OF MARINA

CITY COUNCIL

Bruce Carlos Delgado, Mayor
Frank O'Connell, Mayor Pro Tem
Nancy Amadeo, Member
David W. Brown, Member
Gail Morton, Member

CITY OFFICIALS AND STAFF

Layne P. Long, City Manager
Lauren Lai, Finance Director

PROFESSIONAL SERVICES

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

UNDERWRITER'S COUNSEL

Nossaman, LLP
Irvine, California

BOND REGISTRAR, TRANSFER AGENT, AND PAYING AGENT

MUFG Union Bank, N.A.
Los Angeles, California

VERIFICATION AGENT

Grant Thornton
Minneapolis, Minnesota

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OFFICIAL STATEMENT

\$ _____ *

CITY OF MARINA
2015 General Obligation Refunding Bonds

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the bonds captioned above (the “**Bonds**”) by the City of Marina, California (the “**City**”). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Paying Agent Agreement (as defined below).

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

The City. The City is located in Monterey County, California (the “County”), situated along the Pacific Ocean on the Monterey Peninsula, adjacent to the City of Seaside and unincorporated Monterey County. The City is an area of approximately 9.6 square miles and is located approximately 75 miles south of San Jose, 110 miles south of San Francisco, 8 miles north of the City of Monterey and 8 miles west of the City of Salinas in the Central Coast region of California. Monterey County is bordered on the north by Santa Cruz County, on the east by San Benito County and Kings County and on the south by San Luis Obispo County. The City’s population is estimated at 20,268 as of January 2014.

See “APPENDIX A - FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF MARINA AND MONTEREY COUNTY” and “APPENDIX B - FISCAL YEAR 2013-14 BASIC FINANCIAL STATEMENTS,” for demographic and financial information regarding the City.

Purpose of the Issuance. The Bonds are being issued to refinance all of the City’s outstanding City of Marina (County of Monterey) General Obligation Bonds, Election of 2002, Series 2005 issued on June 30, 2005 in the original aggregate principal amount of \$8,000,000 (the “**Prior Bonds**”), which are currently outstanding in the aggregate principal amount of \$7,885,000. See “REFINANCING PLAN.”

* Preliminary; subject to change.

Authority for Issuance. The Bonds are being issued under Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “**Bond Law**”), a resolution adopted by the City Council of the City (the “**City Council**”) on April 7, 2015 (the “**Bond Resolution**”) and a Paying Agent Agreement, dated as of May 1, 2015 (the “**Paying Agent Agreement**”), between the City and MUFG Union Bank, N.A., as paying agent (the “**Paying Agent**”).

Prior Bonds. The issuance of the Prior Bonds was approved by more than two-thirds of the qualified voters in the City voting at a municipal election on November 5, 2002, authorizing the issuance of not to exceed \$8,000,000 principal amount of bonds to finance construction of a new library facility. See “THE BONDS - Authority for Prior Bonds.”

Security and Sources of Payment for the Bonds. The Bonds are general obligations of the City payable solely from *ad valorem* property taxes levied by the City and collected by the County. The City Council is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the City, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See “SECURITY FOR THE BONDS.”

Payment and Registration of the Bonds. The Bonds will be dated their date of original issuance and delivery (the “**Dated Date**”) and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple of \$5,000, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described below. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “THE BONDS” and “APPENDIX E - DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Interest on the Bonds accrues from the Dated Date and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2015. See “THE BONDS - Description of the Bonds.”

Early Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to their maturity as described in “THE BONDS - Redemption.”

Tax Matters. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California (the “**State**”) personal income taxes. See “LEGAL MATTERS – Tax Exemption” herein.

Other Information. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the City Clerk, 211 Hillcrest Avenue, Marina, California 93933, (831) 884-1278. The City may impose a charge for copying, mailing and handling.

REFINANCING PLAN

Purpose of Issue

The net proceeds of the Bonds will be used to defease and refund all of the Prior Bonds.

Refunding Plan

The City will deliver the net proceeds of the Bonds to MUFG Union Bank, N.A., as the paying agent for the Prior Bonds (the “**Prior Bonds Paying Agent**”), for deposit into an escrow fund (the “**Escrow Fund**”) established under the Irrevocable Refunding Instructions to be dated the date of delivery of the Bonds (the “**Refunding Instructions**”), from the City to the Prior Bonds Paying Agent, as described below. “”

The Prior Bonds are currently outstanding in the aggregate principal amount of \$8,170,000.

On the date of issuance of the Bonds (the “**Closing Date**”), the City will cause to be transferred to the Prior Bonds Paying Agent for deposit into the Escrow Fund the amount of \$_____ derived from proceeds of the Bonds, together with \$_____ held by the City for a total deposit of \$_____. The amount which is deposited will be invested in _____, the principal of and maturing interest on which will be sufficient to pay principal and interest coming due on the redemption date. Under the Refunding Instructions, the City will irrevocably direct the Prior Bonds Paying Agent to apply moneys in the Escrow Fund to pay the principal of and interest on the Prior Bonds coming due on August 1, 2015, and to redeem the Prior Bonds coming due after August 1, 2015 on August 1, 2015. The redemption price will be equal to the par amount of the Prior Bonds together with accrued interest to the redemption date, without premium. On the Closing Date, as a result of the deposit of funds in the Escrow Fund as described above, the Prior Bonds will be defeased, and all liability of the City with respect to them will be discharged.

Sufficiency of the deposit in the Escrow Fund for the purposes of the Prior Bonds Paying Agreement will be verified by Grant Thornton, Minneapolis, Minnesota (the “**Verification Agent**”). See “VERIFICATION OF MATHEMATICAL ACCURACY” below.

Excess Moneys in Escrow Fund. Following payment and redemption in full of all of the Prior Bonds on August 1, 2015, the Prior Bonds Paying Agent shall withdraw any amounts remaining on deposit in the Escrow Fund and transfer those amounts to the Paying Agent, to be deposited in the Bond Service Fund established under the Paying Agent Agreement, and applied to pay a portion of the next interest coming due and payable on the Bonds.

Limited Use of Moneys in the Escrow Fund. *The amounts held by the Prior Bonds Paying Agent in the Escrow Fund are pledged solely to the payment of the Prior Bonds. Neither the funds deposited in the Escrow Fund nor the interest on any invested funds will be available for the payment of debt service on the Bonds.*

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds will be applied as follows:

Sources of Funds

Principal Amount of Bonds

Plus: Net Original Issue Premium _____

Total Sources

Uses of Funds

Deposit to Escrow Fund

Deposit to Costs of Issuance Fund ⁽¹⁾ _____

Total Uses

(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, Paying Agent, Escrow Bank, bond insurance premium, if any, verification agent and the rating agency.

THE BONDS

Authority for Issuance

The Bonds are being issued to defease and redeem the Prior Bonds under the Bond Law, the Resolution and the Paying Agent Agreement.

Description of the Bonds

Book-Entry Form. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”). Purchasers of the Bonds (the “**Beneficial Owners**”) will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC’s book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment 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 such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

The Paying Agent, the City, and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

See “APPENDIX E - DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Maturities. The Bonds shall mature and become payable as to principal on August 1 of the years and in the amounts set forth on the inside cover page hereof.

Interest. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year (each, an “**Interest Payment Date**”), commencing August 1, 2015.

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

1. a Bond is authenticated as of an Interest Payment Date, in which event it will bear interest from such date,
2. a Bond is authenticated prior to an Interest Payment Date and after the close of business on the 15th day of the month preceding the Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date,
3. a Bond is authenticated on or before July 15, 2015, in which event it shall bear interest from the Closing Date, or
4. at the time of authentication of a Bond, interest is in default thereon, in which event it will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Denominations. The Bonds shall be issued in the denomination of \$5,000 each or any integral multiple of \$5,000.

Payment

Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check mailed on the applicable Interest Payment Date to the registered owner thereof (the “**Owner**”) at such Owner’s address as it appears on the registration books maintained by the Paying Agent at the close of business on the 15th day of the month preceding the Interest Payment Date, provided that an Owner of \$1,000,000 or more aggregate principal amount of the Bonds, or the Owner of all of the Bonds at the time Outstanding, shall, at his or her option, receive payment of interest by wire transfer to an account in the United States of America designated by such Owner to the Paying Agent no later than the 15th day of the month preceding the applicable Interest Payment Date.

Principal of and premium (if any) on the Bonds is payable in lawful money of the United States of America upon presentation and surrender at the principal office of the Paying Agent.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after August 1, 20__, are subject to redemption prior to their respective maturity dates, as a whole or in part on any date, as designated by the City, and, absent any such designation, in inverse order of maturities and by lot within a maturity from money provided at the option of the City, in each case on and after August 1, 20__, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__ (the “Term Bonds”) are subject to redemption prior to their stated maturity dates, without a redemption premium, in part by lot, from mandatory sinking fund payments on each August 1, on and after August 1, 20__ in the principal amounts as set forth in the following table:

Term Bond Due August 1, 20__

Payment Date (August 1)	Payment Amount
----------------------------	-------------------

20__ (maturity)

Redemption Procedure. The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the registration bonds maintained by the Paying Agent and to the Securities Depositories and the Municipal Securities Rulemaking Board. Such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds. The Paying Agent will not mail any notice of redemption until it has sufficient moneys on deposit to pay the redemption price of all Bonds to be redeemed; provided, however, that such restriction will not apply when the Bonds are redeemed with the proceeds of another obligation of the City; and provided further that in the event the Bonds are being redeemed with such proceeds, the City will have the right to cancel the notice of redemption by providing written notice of such cancellation to the Paying Agent at least seven Business Days prior to the date set for redemption.

Such notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and will require that such Bonds be then surrendered at the principal office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. In the event term bonds are redeemed in part, the City will deliver a revised sinking fund schedule to the Paying Agent.

Partial Redemption. Upon surrender of Bonds redeemed in part only, the City will execute and the Paying Agent will authenticate and deliver to the Owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Registration, Transfer and Exchange of Bonds

If the book-entry system as described above and in Appendix E is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds "", which will at all times be open to inspection by the City upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Bonds.

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Paying Agent, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

Exchange. Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The Paying Agent will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Defeasance

The City has the option to pay and discharge the entire indebtedness on all or any portion of the outstanding Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding and designated for defeasance, as and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before maturity, money which, together with, in the event of a discharge of all of the Bonds, the amounts then on deposit in the funds provided for in the Debt Service Fund and the Bond Service Fund is fully sufficient to pay such Bonds Outstanding and designated for defeasance, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Paying Agent, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed in writing by an independent certified public accountant will, together with the interest to accrue thereon and, in the event of a discharge of all of the Bonds, moneys then on deposit in the Debt Service Fund and the Bond Service Fund, be fully sufficient to pay and discharge the indebtedness on such Bonds Outstanding and designated for defeasance (including all principal, interest and redemption premiums) at or before their respective maturity dates.

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

DEBT SERVICE SCHEDULE

The following table shows the semi-annual debt service schedule with respect to the Bonds (assuming no optional redemptions).

CITY OF MARINA 2015 GENERAL OBLIGATION REFUNDING BONDS DEBT SERVICE SCHEDULE

Payment Date	Bonds Principal	Bonds Interest	Total Bonds Debt Service	Annual Debt Service
8/1/2015				
2/1/2016				
8/1/2016				
2/1/2017				
8/1/2017				
2/1/2018				
8/1/2018				
2/1/2019				
8/1/2019				
2/1/2020				
8/1/2020				
2/1/2021				
8/1/2021				
2/1/2022				
8/1/2022				
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8/1/2028				
2/1/2029				
8/1/2029				
2/1/2030				
8/1/2030				
2/1/2031				
8/1/2031				
2/1/2032				
8/1/2032				
2/1/2033				
8/1/2033				
2/1/2034				
8/1/2034				
2/1/2035				
8/1/2035				
Total				

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the City, payable solely from *ad valorem* property taxes levied by the City and collected by the County. The City is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the City subject to taxation by the City, without limitation of rate or amount (except certain personal property which is taxable at limited rates).

Levy and Collection. The City will levy and the County will collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into the 2015 Debt Service Fund (the “**Debt Service Fund**”) for the Bonds, which is maintained by the City as a separate fund distinct from all other funds of the City and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due.

On each January 28 and July 28, commencing July 28, 2015, the City shall transfer to the Paying Agent moneys on deposit in the Debt Service Fund for application by the Paying Agent on the next succeeding Interest Payment Date to the payment of principal (including by mandatory sinking fund redemption) of and interest on the Bonds.

After each January 28 and July 28, after making the transfers to the Paying Agent described above, amounts on deposit in the Debt Service Fund may also be used to pay the City’s administrative costs with respect to the Bonds, including but not limited to the fees and expenses of the Paying Agent and the City’s direct administrative costs and overhead. In determining the amount needed for deposit in the Debt Service Fund in each Bond Year, the City shall include such administrative costs, and the amounts used to pay or reimburse such administrative costs shall not exceed the amounts so levied and collected.

Property taxes within the City are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property. The County does not participate in the Alternative Method Distribution of Tax Levies and Collections (also known as the “Teeter Plan”), so secured property taxes actually collected are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the City, when the secured property taxes are actually collected. See “PROPERTY TAXATION - Tax Levies and Delinquencies.”

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the City to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the City and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the City may cause the annual tax rate to fluctuate.

Economic and other factors beyond the City’s control, such as economic recession, deflation of land values, a relocation out of the City or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other natural disaster, could cause a reduction

in the assessed value within the City and necessitate a corresponding increase in the annual tax rate.

Bond Service Fund

Pursuant to the Paying Agent Agreement, the Paying Agent will establish the 2015 Bond Service Fund (the "**Bond Service Fund**"), which will be established as a separate fund. The City will transfer amounts in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, to the Paying Agent on each January 28 and July 28, commencing July 28, 2015, for deposit in the Bond Service Fund. The moneys on deposit in the Bond Service Fund shall be used solely to pay principal and interest on the Bonds when due.

If, after payment in full of the Bonds, any amounts remain on deposit in the Bond Service Fund, the Paying Agent shall transfer such amounts to the City for deposit to its general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Limited Obligation

The Bonds are payable solely from the proceeds of an *ad valorem* tax levied by the City, and collected by the County, for the payment of principal and interest on the Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state assessed public utilities' property and property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and March 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property," a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuation

Assessed Valuation History. The table below shows a ten-year history of the City's assessed valuation.

Table 1
CITY OF MARINA
Assessed Valuations of All Taxable Property
Fiscal Years 2005-06 to 2014-15

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2005-06	\$1,062,651,185	\$ 15,716	\$45,416,171	\$1,108,083,072
2006-07	1,207,621,137	13,851	51,945,010	1,259,579,998
2007-08	1,391,902,857	8,280	55,649,017	1,447,560,154
2008-09	1,495,449,119	1,751,180	62,699,715	1,559,900,014
2009-10	1,431,252,881	1,750,918	63,296,922	1,496,300,721
2010-11	1,376,208,973	1,751,886	61,094,165	1,439,055,024
2011-12	1,372,085,949	1,754,041	60,037,387	1,433,877,377
2012-13	1,371,499,660	0	57,668,881	1,429,168,541
2013-14	1,418,248,413	0	57,344,875	1,475,593,288
2014-15	1,515,813,610	0	58,325,346	1,574,138,956

Source: California Municipal Statistics Inc.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 12-004 (which corresponds to \$964,920,393 of assessed valuation, which is 61.3% of the City's total assessed valuation) for each \$100 of assessed valuation during the fiscal years 2010-11 through 2014-15.

Table 2
CITY OF MARINA
Summary of Ad Valorem Tax Rates
\$1 per \$100 of Assessed Valuation
Fiscal Years 2010-11 to 2014-15
(Tax Rate Area 12-004)

<u>Ad Valorem Tax</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
General	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
City of Marina	.032130	.031560	.032200	.032802	.032564
Monterey Peninsula Comm. College Dist.	<u>.021460</u>	<u>.052360</u>	<u>.050332</u>	<u>.037081</u>	<u>.055245</u>
Total Tax Rate	\$1.053590	\$1.083920	\$1.082532	\$1.069883	\$1.087809

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

The following table shows tax charges, collections and delinquencies for secured property in the City. Because the County does not participate in the Teeter Plan, secured property taxes actually collected are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the City, when the secured property taxes are actually collected.

Table 3
CITY OF MARINA
Secured Tax Charges and Delinquencies
Fiscal Years 2009-10 to 2013-14

	Secured <u>Tax Charge (1)</u>	Amt. Del. <u>June 30</u>	% Del. <u>June 30</u>
2009-10	\$1,719,614.00	\$52,018.77	3.03%
2010-11	1,674,616.00	34,467.30	2.06
2011-12	1,614,675.00	27,882.67	1.73
2012-13	1,669,902.00	25,498.89	1.53
2013-14	1,700,894.00	18,925.51	1.11
	Secured <u>Tax Charge (2)</u>	Amt. Del. <u>June 30</u>	% Del. <u>June 30</u>
2009-10	\$434,651.00	\$9,257.92	2.13%
2010-11	461,994.00	6,769.12	1.47
2011-12	453,444.00	4,516.86	1.00
2012-13	437,058.00	4,358.87	1.00
2013-14	460,634.00	4,343.60	0.94

(1) 1% General Fund apportionment.

(2) City's general obligation bond debt service levy.

Source: California Municipal Statistics, Inc.

Major Taxpayers

The following table shows the twenty largest taxpayers in the City as determined by their secured assessed valuations in 2014-15.

Table 4
CITY OF MARINA
Largest 2014-15 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	2014-15 <u>Assessed Valuation</u>	% of <u>Total (1)</u>
1.	Shea Marina Village LLC	Shopping Center	\$ 41,527,337	2.74%
2.	Target Corporation	Shopping Center	24,565,518	1.62
3.	Wal-Mart Real Estate Business Trust	Commercial	23,099,380	1.52
4.	Shea Homes LP	Residential Development	22,298,336	1.47
5.	Cypress Marina Heights LP	Residential Development	21,183,271	1.40
6.	Marina Community Partners LLC	Residential Development	21,111,663	1.39
7.	LV44 LP	Apartments	20,512,649	1.35
8.	Cemex Inc.	Industrial – Mining	17,188,463	1.13
9.	Michael J. Tate	Apartments	16,347,361	1.08
10.	MDR-TMI LLC	Hotel/Motel	13,607,305	0.90
11.	Ocean Lodging LLC	Hotel/Motel	12,696,926	0.84
12.	Sierra Pacific Properties Inc.	Supermarket	12,320,813	0.81
13.	Kohl's Department Stores Inc.	Shopping Center	10,452,956	0.69
14.	University Village Associates	Apartments	10,284,903	0.68
15.	Cypress Gates Inc.	Apartments	9,450,367	0.62
16.	LV44 II LP	Apartments	8,557,928	0.56
17.	ELS Properties Corporation	Shopping Center	8,513,122	0.56
18.	William H. Brooks	Apartments	8,298,218	0.55
19.	Shamrock Redwood Marina Park LLC	RV Park	8,186,050	0.54
20.	Nelson A. and Susan J. Vega	Apartments	<u>7,967,251</u>	<u>0.53</u>
			<u>\$318,169,817</u>	<u>20.99%</u>

(1) 2014-15 Local Secured Assessed Valuation: \$1,515,813,610.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. and effective April 1, 2015. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the percentage that the City’s assessed valuation represents of the total assessed valuation of each public agency identified in the first column; and

(3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in the second column.

**Table 5
CITY OF MARINA
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
(As of April 1, 2015)**

2014-15 Assessed Valuation:\$1,574,138,956

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/15</u>
Hartnell Joint Community College District	0.085%	\$ 100,262
Monterey Peninsula Community College District	5.385	6,093,906
Monterey Peninsula Unified School District	15.236	8,223,020
North Monterey County Unified School District	0.589	179,292
Monterey County Water Resources Agency Benefit Assessment District, Zone 2C	6.387	1,908,755
City of Marina	100.000	8,170,000 (1)
City of Marina Community Facilities District No. 2003-1	100.000	<u>1,030,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$25,705,235
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Monterey County General Fund Obligations	2.930%	\$4,919,324
Monterey County Board of Education Certificates of Participation	2.930	50,689
North Monterey County Unified School District Certificates of Participation	0.589	73,036
City of Marina Pension Obligation Bonds	100.000	<u>1,995,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$7,038,049
Less: Monterey County supported obligations		<u>1,616,576</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$5,421,473
 GROSS COMBINED TOTAL DEBT		 \$32,743,284 (2)
NET COMBINED TOTAL DEBT		\$31,126,708

(1) Excludes Refunding Bonds to be sold.

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

Ratios to 2014-15 Assessed Valuation:

Direct Debt (\$8,170,000)	0.52%
Total Direct and Overlapping Tax and Assessment Debt...	1.63%
Combined Direct Debt (\$10,165,000)	0.65%
Gross Combined Total Debt	2.08%
Net Combined Total Debt.....	1.98%

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the City for the payment thereof. See “THE BONDS” and “SECURITY FOR THE BONDS” above. Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 62, 111, and 218 and 1A, and certain other provisions of law discussed below are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the City to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the City to levy taxes for payment of the Bonds. The tax levied by the City for payment of the Bonds was approved by the City’s voters in compliance with Article XIII A and all applicable laws.

Article XIII A of the State Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on Bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years.

If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit. Because the issuance of the Bonds has been approved by the voters, the tax levy which is required to pay debt service on the Bonds is not subject to the limitations of Article XIII B.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a

number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's general fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the general fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the City is unable to continue to collect these revenues, the services and programs funded with these revenues would have to be curtailed and/or the City's general fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the fees, charges and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the City's general fund to continue to support these activities.

Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's general fund.

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIII C define "taxes" that are subject to voter approval as "any levy, charge, or exaction of any kind imposed by a local government," with certain exceptions.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than

general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The City has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

Possible Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62, 111, 218, 1A and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

LEGAL MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss

on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Other Tax Considerations. Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

Continuing Disclosure

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City to the Municipal Securities Rulemaking Board by not later than April 1 after the end of each fiscal year of the City (currently June 30th), commencing with the report for the 2014-15 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in "APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE," attached to this Official Statement. These covenants have been made in order to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2-12 (the "**Rule**").

The City had previously entered into a disclosure undertaking under the Rule in connection with the issuance of the Prior Bonds. During the past five years, the City failed to comply with said disclosure undertaking. Specifically, the audited financial statements and annual reports were not filed on the Electronic Municipal Market Access ("**EMMA**")

In order to bring the City into compliance with respect to its disclosure undertakings, the City engaged Applied Best Practices, LLC, as dissemination agent (the "**Dissemination Agent**"). The Dissemination Agent filed all missing annual reports, audited financial statements and budget information for the past five years on EMMA as of March 30, 2015. The City is currently in compliance with its continuing disclosure undertakings. In order to ensure future compliance with the City's continuing disclosure undertakings, the City will continue to work with the Dissemination Agent.

Neither the County nor any other entity other than the City shall have any obligation or incur any liability whatsoever with respect to the performance of the City's duties regarding continuing disclosure.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to the purchasers at the time of the original delivery of the Bonds. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to receive ad valorem taxes or to collect other revenues or contesting the City's ability to issue and repay the Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations provided to it on behalf of the City relating to the sufficiency of the amounts deposited in the Escrow Fund (together with interest earnings) to pay, when due, the principal (whether at maturity or upon prior redemption) interest and redemption premium requirements of the Prior Bonds being refunded. See "REFINANCING PLAN" above.

RATING

Upon issuance of the Bonds, Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("**S&P**") will assign the Bonds a rating of "___."

The City has furnished to S&P information and material which has not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agencies. The ratings reflect only the view of such organization and an explanation of the significance of such rating may be obtained from S&P.

There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates, Inc. of Irvine, California served as Financial Advisor to the City with respect to the sale of the Bonds. Fieldman, Rolapp & Associates, Inc. assisted the City in matters relating to the planning, structuring, and sale of the Bonds and preparation of this Official Statement and will receive compensation contingent upon the sale and delivery of the Bonds. Fieldman, Rolapp & Associates, Inc. provides financial advisory services and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**") has agreed to purchase the Bonds at a price of \$_____ (which is equal to the aggregate principal amount of the Bonds (\$_____), plus a net original issue premium of \$_____, less an Underwriter's discount of \$_____). The Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement including the approval of certain legal matters by counsel and certain other conditions.

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering price may be changed from time to time by the Underwriter.

EXECUTION

The execution and delivery of this Official Statement has been approved by the City Council.

CITY OF MARINA

By: _____
City Manager

APPENDIX A

FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF MARINA AND MONTEREY COUNTY

The City and the County

The City of Marina (the “**City**”) is located in Monterey County (the “**County**”), situated along the Pacific Ocean on the Monterey Peninsula, adjacent to the cities of Carmel and Monterey. The City encompasses an area of approximately 9.6 square miles and is located approximately 75 miles south of San Jose, 110 miles south of San Francisco, eight miles north of the City of Monterey and eight miles west of the City of Salinas. The City’s population is estimated at 20,268 as of January 2014.

The County is bordered on the north by Santa Cruz County, on the east by San Benito County and Kings County, on the south by San Luis Obispo County and on the west by the Pacific Ocean. The County’s population is estimated at 425,756 as of January 2014.

Population

The following table shows population growth of the City, County, and State between 2008 and 2014.

City of Marina, Monterey County and State of California Population Estimates 2008-2014

Year	City of Marina	Monterey County	State of California
2008	19,253	409,387	36,704,375
2009	19,449	413,590	36,966,713
2010	19,704	415,825	37,253,956
2011	19,759	416,968	37,427,946
2012	19,974	420,668	37,678,563
2013	20,137	422,754	37,984,138
2014	20,268	425,756	38,340,074

Source: *State of California, Department of Finance.*

Employment and Industry

The City is included in the Salinas Metropolitan Statistical Area (“MSA”). The unemployment rate in the Monterey County was 10.7% in December 2014, up from a revised 8.5% in November 2014, and below the year-ago estimate of 11.3%. This compares with an unadjusted unemployment rate of 6.7% for California and 5.4% for the nation during the same period. The following table shows employment by industry group and labor force figures for the County from 2009 to 2013, as well as employment and the unemployment rate in the County from 2009 to 2013. Annual Figures are not yet available for calendar year 2014.

**SALINAS MSA
(Monterey County)
Employment and Unemployment
Annual Averages, 2009 through 2013⁽¹⁾
(in thousands)**

Industry Wage and Salary Employment	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Natural Resources and Mining	200	200	200	200	200
Total Farm	42,800	45,100	46,300	48,200	50,700
Construction	4,600	4,100	3,800	4,100	4,400
Manufacturing	5,700	5,600	5,600	5,200	5,400
Wholesale Trade	4,900	4,900	4,900	5,200	5,100
Retail Trade	15,100	15,200	15,700	15,900	16,200
Transportation, Warehousing and Utilities	3,400	3,300	3,400	3,800	3,900
Information	1,700	1,700	1,600	1,500	1,600
Finance and Insurance	4,700	4,300	4,100	4,200	4,000
Professional and Business Services	10,900	11,500	11,500	11,300	11,200
Educational and Health Services	15,800	15,700	15,600	16,200	16,900
Leisure and Hospitality	20,300	20,000	20,200	21,200	21,800
Other Services	4,600	4,600	4,600	4,700	4,800
Government	<u>32,600</u>	<u>32,600</u>	<u>31,700</u>	<u>31,300</u>	<u>30,200</u>
Total Wage and Salary	167,200	169,000	169,100	172,800	176,500
Civilian Labor Force ⁽²⁾	215,500	220,800	221,600	223,100	221,600
Civilian Employment	190,200	192,800	193,800	197,500	199,100
Unemployment	25,300	28,000	27,800	25,600	22,400
Unemployment Rate	11.7%	12.7%	12.5%	11.5%	10.1%

(1) Totals may not equal sum of component parts due to rounding, and certain labor categories not included. All information updated per March 2010 Benchmark.

(2) Based on place of residence.

Source: *State of California Employment Development Department, March 2010 Benchmark.*

The following table lists the largest employers within the County.

**Monterey County
January 2015 Major Employers
(Listed Alphabetically)**

Employer	Location	Industry
Azcona Harvesting	Greenfield	Harvesting-Contract
Breast Care Ctr	Monterey	Clinics
Bud of California	Soledad	Fruits & Vegetables-Growers & Shippers
California State University	Seaside	Schools-Universities & Colleges Academic
Casa Palmero	Pebble Beach	Hotels & Motels
Ctb/McGraw Hill LLC	Monterey	Publishers-Books (Mfrs)
D'Arrigo Brothers Co	Salinas	Fruits & Vegetables-Growers & Shippers
Dole Fresh Vegetables Co	Soledad	Food Products & Manufacturers
Hilltown Packing Co	Salinas	Harvesting-Contract
Mann Packing Co	Salinas	Fruits & Vegetables-Growers & Shippers
Marine Pollution Study Lab	Moss Landing	Boat Dealers Sales & Service
Misionero Vegetables	Gonzales	Fruits & Vegetables-Growers & Shippers
Monterey Cnty Social Svc Cmmtt	Salinas	County Government-Social/Human Resources
Monterey Cnty Social Svc Dept	Salinas	County Government-Social/Human Resources
Monterey County Office Edu	Salinas	Schools
Monterey Peninsula College	Monterey	Schools-Universities & Colleges Academic
Natividad Medical Ctr	Salinas	Hospitals
Naval Postgraduate School	Monterey	Schools-Universities & Colleges Academic
Pebble Beach Co	Pebble Beach	Resorts
Pebble Beach Resorts	Pebble Beach	Resorts
Salinas Valley Meml Healthcare	Salinas	Hospitals
Social Services Dept	Salinas	Senior Citizens Service Organizations
Taylor Farms	Salinas	Fruits & Vegetables-Growers & Shippers
US Defense Dept	Seaside	Federal Government-National Security
US Defense Manpower Data Ctr	Seaside	Government Offices-Us

Source: *State of California Employment Development Department, extracted from The America's Labor Market Information System ("ALMIS") Employer Database, 2015 2nd Edition.*

Construction Activity

Provided below are the building permits and valuations for the City and the County for calendar years 2009 through 2013, which is the last year for which such information is available. Annual Figures are not yet available for calendar year 2014.

City of Marina Total Building Permit Valuations (Valuations in Thousands)

Permit Valuation	2009	2010	2011	2012	2013
New Single-family	\$183.3	\$0.0	\$0.0	\$0.0	\$80.0
New Multi-family	0.0	0.0	0.0	0.0	11,900.0
Res. Alterations/Additions	1,929.8	1,435.0	591.8	2,791.4	1,168.9
Total Residential	\$2,113.1	\$1,435.0	\$591.8	\$2,791.4	\$13,148.9
New Commercial	\$3,966.4	\$0.0	\$4.7	\$449.6	\$4,757.4
New Industrial	0.0	297.7	0.0	0.0	0.0
New Other	1,111.0	2,584.2	0.0	0.0	243.9
Com.	5,798.3	11,042.9	798.5	1,215.2	771.6
Alterations/Additions					
Total Nonresidential	\$10,875.7	\$13,924.8	\$803.2	\$1,664.8	\$5,772.9
New Dwelling Units					
Single Family	1	0	0	0	1
Multiple Family	0	0	0	0	129
Total	1	0	0	0	130

Source: California Homebuilding Foundation, California Building Industry Association.

Monterey County Total Building Permit Valuations (valuations in thousands)

Permit Valuation	2009	2010	2011	2012	2013
New Single-family	\$44,924.7	\$55,857.3	\$63,217.2	\$76,468.0	\$75,564.4
New Multi-family	11,632.7	28,302.0	5,859.7	19,151.0	31,054.8
Res. Alterations/Additions	59,417.1	58,784.8	70,358.0	58,433.6	62,204.0
Total Residential	\$115,974.5	\$142,944.1	\$139,434.9	\$154,052.6	\$168,823.2
New Commercial	\$13,202.3	\$16,844.9	\$8,519.5	\$37,979.3	\$55,263.7
New Industrial	0.0	0.0	1,494.4	4,403.6	1,822.1
New Other	19,660.5	12,208.0	872.2	1,330.0	12,582.1
Com.	64,578.4	57,074.8	11,413.3	58,093.9	47,622.1
Alterations/Additions					
Total Nonresidential	\$97,441.2	\$86,127.7	\$22,299.4	\$101,806.8	\$117,290.0
New Dwelling Units					
Single Family	118	118	130	106	190
Multiple Family	95	167	26	131	252
Total	213	285	156	237	442

Source: California Homebuilding Foundation, California Building Industry Association.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and non-tax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household effective buying income for the City, the County, the State and the United States from 2009 to 2013. The effective buying income for 2014 calendar year is not yet available.

City of Marina, Monterey County, California and United States Effective Buying Income 2009 through 2013

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2009	City of Marina	\$367,480	\$44,201
	Monterey County	7,883,583	48,203
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Marina	\$341,025	\$41,612
	Monterey County	7,920,354	49,171
	California	801,393,027	47,177
	United States	6,365,020,076	41,368
2011	City of Marina	\$343,245	\$41,657
	Monterey County	7,637,341	46,950
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Marina	\$347,008	\$40,429
	Monterey County	7,810,921	46,881
	California	879,041,706	47,062
	United States	6,438,677,694	41,253
2013	City of Marina	\$356,385	\$40,413
	Monterey County	8,215,141	45,519
	California	922,868,344	47,307
	United States	6,737,909,508	41,358

Source: *The Nielsen Company, Inc.*

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 and after is not comparable to that of prior years.

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during the three quarters of the calendar year 2013 in the City were reported to be \$134,300,000, a 4.14% increase over the total taxable sales of \$128,960,000 reported during the first three quarters of calendar year 2012. Figures are not yet available for the 2014 calendar year.

**City of Marina
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(dollars in thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	170	\$157,172	414	\$168,427
2009*	226	157,953	343	168,256
2010*	228	165,955	349	177,680
2011*	225	164,551	343	176,459
2012*	216	167,146	340	179,832

*Retail Stores data is not comparable to prior years. "Retail" category now includes "Food Services."
Source: *California State Board of Equalization, Taxable Sales in California (Sales & Use Tax)*.

Total taxable sales during the first three quarters of calendar year 2013 in the County were reported to be \$4,381,442,000 a 4.61% increase over the total taxable sales of \$4,188,515,000 reported during the first three quarters of calendar year 2012. Figures are not yet available for the 2014 calendar year.

**Monterey County
Annual Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(dollars in thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	4,993	\$4,021,150	11,168	\$5,399,594
2009*	6,880	3,255,804	10,125	4,705,845
2010*	6,921	3,423,370	10,204	4,955,562
2011*	6,953	3,680,776	10,268	5,312,732
2012*	6,911	3,927,095	10,184	5,637,445

*Retail Stores data is not comparable to prior years. "Retail" category now includes "Food Services."
Source: *California State Board of Equalization, Taxable Sales in California (Sales & Use Tax)*.

Agricultural Production

The County's economy is largely based on agriculture, and the County for many years has been a national leader in the value of annual agricultural production. Agriculture is a significant industry and a major employer in the County.

The County is the major agribusiness, crop processing and shipping center for the region. The following table sets forth the gross production value by category of various agricultural products from 2009 through 2013. Annual figures are not yet available for calendar year 2014.

Monterey County Leading Crops and Total Agricultural Production 2009 through 2013

	2009	2010	2011	2012	2013
Field Crops	\$14,972,000	\$15,230,000	\$16,824,000	\$19,338,000	\$19,990,000
Seed Crops	9,306,000	9,404,000	9,984,000	8,550,000	8,803,000
Vegetable Crops	2,631,763,000	2,677,072,000	2,596,683,000	2,557,772,000	2,833,775,000
Fruit and Nut Crops	1,042,685,000	987,693,000	914,685,000	1,057,684,000	1,159,589,000
Nursery Products	294,572,000	266,121,000	260,703,000	307,543,000	312,346,000
Livestock and Poultry	40,374,000	49,893,000	54,468,000	53,126,000	45,024,000
Apiary	46,200	242,000	228,000	204,000	195,000
Total	\$4,033,718,200	\$4,005,655,000	\$3,853,575,000	\$4,004,217,000	\$4,379,722,000

Source: Monterey County Department of Agriculture

Municipal Government

The City incorporated on November 13, 1975 and operated as a general law city under a Council-Manager form of government until 1998 when the City became a charter city. The City Council includes a Mayor elected every two years and Council members (two of whom are elected every two years) elected to staggered four-year terms, all elected at large.

The City Manager is the chief executive officer to whom six department heads report. Water and sewer services are provided by a special district, the Marina Coast Water District. The City provides the following types of services as authorized by its charter: public safety, public works, culture, and community development. Services include police protection, fire protection, animal control, building safety regulation and inspection, street lighting, beautification, land use planning and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement and a full range of recreational and cultural programs for its citizens.

The City is primarily a residential community, with commercial and light industrial enterprises, as well as local governmental offices. The City's actual general fund expenditures, excluding interfund transfers out, for 2013-14 were \$17,359,015. Taxable property in the City has a 2014-15 local secured assessed valuation of \$1,515,813,610 and a total secured and unsecured assessed valuation of 1,574,138,956.

CITY FINANCES

The information in this section concerning the operations of the City and the City's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the City. The Bonds are payable from the proceeds of an ad valorem tax levied by the City in an amount sufficient for the payment thereof. Amounts in the City's general fund are not pledged to the payment of the Bonds. See "THE BONDS" and "SECURITY FOR THE BONDS" above.

Accounting Policies and Financial Reporting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The basis of accounting for all funds is more fully explained in the "Notes to Financial Statements" contained in Appendix B.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published. The City's Independent Auditor's Report for fiscal year 2013-14 was prepared by Mann, Urrutia, Nelson CPAs & Associates LLP, Sacramento, California. Mann, Urrutia, Nelson has not been requested to consent to the use or to the inclusion of its report in this Official Statement and has not reviewed this Official Statement.

See "APPENDIX B – FISCAL YEAR 2013-14 BASIC FINANCIAL STATEMENTS – Note (1) Summary of Significant Accounting Policies" for a description of the significant accounting policies of the City.

General Fund Financial Summary

The City's general fund finances the legally authorized activities of the City for which restricted funds are not provided. General fund revenues are derived from such sources as taxes, fees, use of money and property, and aid from other governmental agencies. Audited financial statements for the City for the fiscal year ended June 30, 2014 and earlier are available for download on the City's website located at www.ci.marina.ca.us/index.aspx?nid=212. *The citation to internet websites in this Official Statement are for reference and convenience only, the information contained within the websites is not incorporated herein by reference.*

The audited information contained in the following tables is excerpted from the City's general fund financial statements for fiscal years 2011-12 through 2013-14, the three most recent fiscal years for which audited financial statements are available.

Table A-9
CITY OF MARINA
General Fund Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Years 2011-12 through 2013-14

	2011-12	2012-13	2013-14
REVENUES			
Taxes	\$10,893,271	\$11,217,950	\$12,065,087
Fines and Penalties	187,808	189,423	195,743
Licenses and Permits	189,415	277,547	444,470
Investment Earnings	54,237	30,124	23,597
Charges for Services, Grants & Other Program Revenues	3,215,947	3,410,0660	4,295,004
Other General Revenues	122,609	96,392	32,054
<i>Total Revenues</i>	<u>14,663,287</u>	<u>15,222,098</u>	<u>17,055,955</u>
EXPENDITURES			
General Government	3,192,945	2,152,687	2,333,193
Public Safety	9,686,188	9,690,258	10,209,287
Public Works	1,507,338	1,730,841	1,983,541
Economic and Community Development	977,720	1,680,546	1,324,932
Recreation and Cultural Services	871,059	881,518	891,308
Debt Service - Principal Retirement	400,000	440,000	485,000
Debt Service - Interest and Other Debt Service Costs	174,655	154,524	131,754
<i>Total Expenditures</i>	<u>16,809,905</u>	<u>16,730,374</u>	<u>17,359,015</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,146,618)	(1,508,278)	(303,060)
OTHER FINANCING SOURCES (USES)			
Interfund Transfers In	2,061,758	639,154	655,679
Interfund Transfers (Out)	(701,281)	(264,991)	(108,270)
<i>Total Other Financing Sources (Uses)</i>	<u>1,360,477</u>	<u>374,163</u>	<u>547,409</u>
Special Item - Sale of Real Property	-	-	1,068,800
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES, OTHER USES & SPECIAL ITEM	(786,141)	(1,134,115)	1,313,149
Beginning Fund Balance	8,703,400	7,917,259	6,091,225
Prior Period Adjustment	-	(691,919)	-
Ending Fund Balance	<u>\$7,917,259</u>	<u>\$6,091,225</u>	<u>\$7,404,374</u>

Source: City of Marina, Basic Financial Statements for fiscal years 2011-12 through 2013-14.

Table A-10
CITY OF MARINA
General Fund Balance Sheet
June 30 of Fiscal Years 2011-12 through 2013-14

	2011-12	2012-13	2013-14
Assets			
Cash and investments	\$8,152,985	\$6,087,966	\$7,251,381
Cash (Restricted)	54	54	57
Prepaid Expenditures	-	6,000	12,000
Accrued Receivables	1,717,470	1,893,376	2,057,338
Due from Fiduciary Funds	194,169	194,169	243,713
Due from Other funds (short-term cash flow loans)	-	65,945	226,648
Advances to other funds	75,000	75,000	75,000
<i>Total Assets</i>	<u>10,139,678</u>	<u>8,322,510</u>	<u>9,866,137</u>
Liabilities			
Accounts payable and accrued payroll	1,128,119	996,727	1,165,294
Other Accrued Payables	631,988	395,546	411,305
Deposits and Other Liabilities	19,475	354,570	313,884
Unearned revenue	78,460	89,982	102,434
Advances from Other Funds (Long-Term)	50,000	50,000	50,000
<i>Total Liabilities</i>	<u>1,908,042</u>	<u>1,886,825</u>	<u>2,042,917</u>
Deferred Inflows of Resources			
Unavailable Revenue - State of CA SB-90 Claims	314,377	344,460	418,846
<i>Total Deferred Inflows</i>	<u>314,377</u>	<u>344,460</u>	<u>418,846</u>
Equity			
Fund Balances:			
Nonspendable	269,169	269,169	545,361
Restricted	175,172	178,246	180,782
Committed	200,000	200,000	200,000
Unassigned	7,272,918	5,443,810	6,478,231
<i>Total fund balances</i>	<u>7,917,259</u>	<u>6,091,225</u>	<u>7,404,374</u>
Total liabilities, Deferred Inflows and fund balance	<u><u>\$10,139,678</u></u>	<u><u>\$8,322,510</u></u>	<u><u>\$9,866,137</u></u>

Source: City of Marina, Basic Financial Statements for fiscal years 2011-12 to 2013-14.

The following table shows the City's fiscal year 2014-15 General Fund budget figures.

**Table A-11
CITY OF MARINA
General Fund Budget
Fiscal Year 2014-15**

	2014-15
REVENUES	
Taxes	\$11,633,200
Charges for Services	2,680,372
Other Revenues	715,175
Income from Other Govt Units	672,800
Transfers from Other Funds	568,420
License & Permits	371,500
Fines & Forfeitures	183,600
Use of Money & Property	169,000
<i>Total Revenues</i>	16,994,067
 EXPENDITURES	
City Council	\$15,950
Administration/Human Resources/Risk Management	652,500
City Attorney	179,000
Economic Development Division	235,200
Non-Departmental	746,100
Conveyance	381,400
Finance	755,800
Police	7,657,450
Animal Control/Vehicle Abatement	133,000
Fire	2,837,700
CDD - Planning Services	603,850
Recreation and Cultural Services	925,100
CDD - Engineering Services	598,000
CDD - Building inspection	388,600
CDD - Buildings & Grounds	1,054,450
CDD - Vehicle Maintenance	265,300
<i>Total Expenditures</i>	17,429,400
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(435,333)

Source: City of Marina.

General Fund Revenue Sources

General fund revenues include property taxes, property tax in lieu of motor vehicle taxes, sales taxes, transient occupancy taxes and franchise taxes, State subventions, grants, charges for services and other program revenues. General fund revenues for fiscal year 2013-14 were derived as follows:

	General Fund Only 2013-14
REVENUES	
Charges for services and program revenues	\$4,935,216
Property taxes and property tax in lieu of motor vehicle taxes	4,595,757
Sales tax	4,588,760
Transient occupancy tax	2,154,023
Franchise taxes	726,548
Miscellaneous revenues	1,780,130
<i>Total Revenues*</i>	<u>\$18,780,434</u>

* Total Revenues in this table includes transfer-in (\$655,679) and sale of real property (\$1,068,800) (see "Other Financing Sources" on Table A-9).

Charges for Services. Charges for services, such as rents, fees, licenses, permits, special assessments and program revenues made up \$4.9 million of the City's general fund revenues. The City received rents totaling \$2.9 million from its ownership of Abrams B Apartments and \$1.7 million from Preston Park.

Property Taxes and Property Taxes in Lieu of Motor Vehicle Taxes. Property taxes and property taxes in lieu of motor vehicle taxes are the City's second largest source of general fund revenue, totaling nearly \$4.6 million in fiscal year 2013-14.

Sales Tax. On November 2, 2010, voters in the City approved temporarily raising the sales tax rate by 1% for the purpose of preserving funds for general city services such as police, fire, street repair, parks maintenance and recreation and community programs. On November 4, 2014, voters in the City extended the temporary 1% sales tax for an additional ten years until March 31, 2026. Sales tax made up nearly \$4,600,000 of the City's General Fund revenues for fiscal year 2013-14. Recent passage of the 1% sales tax and the increase in transient occupancy tax improved and stabilized the City's revenues.

The State collects and administers sales tax, and makes distributions on taxes collected within the City as follows:

**Table A-12
CITY OF MARINA
Sales Tax Rates**

<u>As of October 1, 2014:</u>	
State General Fund	7.50%
Monterey County	0.125
City of Marina Transaction and Use Tax	<u>1.00</u>
Total	8.625%

Source: California State Board of Equalization.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California State Board of Equalization. According to the State Board of Equalization, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's quarterly tax allocation as a starting point, the Board first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of Equalization

disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

Under the Sales and Use Tax Law, all sales and use taxes collected by the State Board of Equalization under contract with any city, city and county, redevelopment agency, or county are required to be transmitted by the Board of Equalization to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

The Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

Transient Occupancy Tax. On November 2, 2010, voters in the City approved temporarily raising the transient occupancy tax rate to 12% for the purpose of preserving funds for general city services such as police, fire, street repair, parks maintenance and recreation and community programs. On November 4, 2014, voters in the City approved eliminating the termination date of the temporary transient occupancy tax rate increase, permanently setting the rate at 12%. Transient occupancy tax made up nearly \$2,200,000 of the City's General Fund revenues for fiscal year 2013-14.

Increase in General Fund Revenues Over 2012-13 Revenues. General fund revenues in fiscal year 2013-14, excluding interfund transfers, increased by \$4.6 million over fiscal year 2012-13. This increase was due to a \$400,000 increase in property taxes due to an improving economy and increased assessed values, \$900,000 increase in rents, service charges and fees and development agreements, \$1,900,000 increase in impact fees paid by developers to mitigate the effects of new developments on City infrastructure, \$150,000 increase in sales taxes and \$200,000 increase in transient occupancy taxes and a one-time real property sale of \$1,100,000.

Stabilization of Revenues. The City has been successful in stabilizing revenues through the extension of the temporary 1% sales tax through March 31, 2026 and the passage of the transient occupancy tax in perpetuity. The City has undergone a development boom and expects increases of property taxes, transient occupancy taxes and sales tax through the development of:

- The Dunes at Monterey Bay – The Dunes is a master planned community. The next phase includes 933 residential units, 187,000 square feet of commercial space and 400 total hotel rooms, expected to be built out by 2025. At build out, this next phase will employ an estimated 625 people and house 2,300 residents, providing additional tax revenues to the City of an estimated \$2.3 million annually. Under construction at The Dunes are the following projects:

- The grand opening of six production homes of two new Shea Homes communities took place on March 28, 2015. This first phase will consist of 332 residential units.

- A \$75 million 140,000 square foot Veteran Affairs Marina Health Care Clinic is expected to open in spring 2016. The VA Clinic will be leased to the federal government by a private developer, so the City will receive property tax revenue. Over 20,000 patients will be served and the VA clinic will provide 100 new professional jobs, generating a new stream of sales taxes in the City.
- A Cinemark five-screen theater with approximately 23,000 square feet of retail adjacent to the theaters will open in September 2015.
- Promontory Point – a 585-bed California State University Monterey Bay student housing complex is opening in fall 2015.
- Univeristy Villages Housing – a 108 affordable housing complex was completed in 2014.
- Marriott is constructing a \$20 million 108-room Springhill Suites at The Dunes, anticipated to open in fall 2016.
- The Marina Heights project is planned for 1,050 market rate residential units and 35 acres of parks, greenbelts and open space, to be located on a 248-acre former Army site. The project is fully entitled with approximately \$85 million of infrastructure. The developer is expecting to break ground in summer 2015 and pull building permits in fall of 2015.
- A 90-room Hampton Inn & Suites is planned to break ground in late 2015, with a projected opening in fall 2016.
- The City is undertaking the revitalization of the 225-acre downtown district to include commercial, residential, recreational and civic uses.
- The Marina Municipal Airport is the newest general aviation airport on the Monterey Peninsula. The 845-acre airport is dedicated to general aviation, business, light industry and recreational uses. The Marina Municipal Airport is collaborating with the University of California MBEST Center to create a new research and technology center.

Defined Benefit Pension Plan

The City contributes to the California Public Employees Retirement System (“**PERS**”), a cost-sharing multiple employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and city ordinance.

Funding Status and Progress. Prior to the passage of the California Public Employees Pension Reform Act (“**PEPRA**”), miscellaneous participants and public safety participants were required to contribute 7% and 9%, respectively, of their annual covered salary, while the City made the contributions required of City employees on their behalf and for their account. The City’s required contributions were determined actuarially as a percentage of covered payroll for Miscellaneous and Safety members, respectively, as follows:

Miscellaneous

Safety

2007-08	12.173%	30.038%
2008-09	9.044	19.270
2009-10	8.902	18.813
2010-11	8.600	18.000
2011-12	10.059	24.112
2012-13	10.238	24.706

PEPRA implemented new benefit formulas and final compensation periods as well as new employee and employer contribution requirements for new employees hired on or after January 1, 2013. For the 2013-14 fiscal year, contribution rates for existing Miscellaneous and Safety members were 10.781% and 26.149%, respectively, and for new Miscellaneous and Safety members were 6.250% and 11.500%, respectively, for both the employee and the employer.

Contribution rates for fiscal year 2014-15 for existing Miscellaneous and Safety employees are projected to be 11.522% and 27.849%, respectively, while 6.250% and 11.500% employee/employer contribution rates will remain in effect until June 30, 2015. For fiscal year 2015-16 contribution rates for existing Miscellaneous and Safety members are projected to be 12.400% and 29.900%. Contribution rates for new members will be revised for the 2015-16 fiscal year.

The City's annual pension cost of \$2,028,136 for PERS was equal to the City's required and actual contributions. The following table shows the City's annual pension cost for the prior three fiscal years:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>
6/30/12	\$2,006,856	100%
6/30/13	2,013,612	100
6/30/14	2,028,136	100

Post-Employment Health Benefits

PERS provides postemployment medical insurance benefits to retirees and their spouses who meet plan eligibility requirements in accordance with various labor agreements. Employees are eligible for postretirement medical benefits upon reaching age 50 with a minimum of five years of service. Retirees can enroll in any of the available PERS medical plans, and City-provided benefits continue for the life of the retiree and surviving spouse. The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act (\$101 per month for 2009, \$105 per month in 2010, \$108 per month in 2011, \$112 per month in 2012, \$115 per month in 2013, \$119 per month in 2014, and is projected to be \$122 in 2015, and, thereafter, monthly contributions will increase to reflect changes in the medical care component of the Consumer Price Index). Retirees must pay any premium amounts in excess of the City contribution. For each bargaining unit, the minimum amount the City contributes is pro-rated over the 20-year period starting from that unit's PERS coverage.

City's Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the City Council. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due.) For fiscal year 2013-14, the City contributed \$22,831 to the plan (100% of total current premiums). The City has not established a trust for the purpose of holding assets accumulated for plan benefits.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the*

employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the 2013-14 fiscal year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual Required Contribution (ARC)	\$241,161
Interest on Net OPEB Obligation	37,800
Adjustment to the ARC	<u>-39,083</u>
Annual OPEB Cost	\$239,878
Less: Contributions made (pay-as-you-go cost)	<u>-20,578</u>
Increase in net OPEB obligation	219,300
Net OPEB obligation - beginning of year	<u>844,580</u>
Net OPEB obligation - end of year	<u>\$1,063,880</u>

Funded Status and Funding Progress: at June 30, 2014, the funded status of the Plan was as follows:

Actuarial accrued liability (AAL)	\$2,260,356
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$2,260,356</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$8,696,119
UAAL as percentage of covered payroll	26%

Trend Information. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2014 and the preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Cumulative Net OPEB Obligation</u>
6/30/10	\$205,257	4.75%	\$195,497
6/30/11	224,416	5.22	408,184
6/30/12	244,877	5.77	638,925
6/30/13	221,072	6.97	844,580
6/30/14	239,878	8.58	1,063,880

See "APPENDIX B - FISCAL YEAR 2013-14 BASIC FINANCIAL STATEMENTS – Footnote 12" for healthcare cost trend assumptions and actuarial methods and assumptions.

Redevelopment Agency Dissolution and Successor Agency Activities

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012. On December 29, 2011, the California Supreme Court upheld ABx1 26.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

In addition, ABx1 26 and AB1484 direct the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between a redevelopment agency and another public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency.

The legislation provided that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of State or local government. On January 10, 2012, the City Council elected to become the successor agency.

The City, in consultation with legal counsel, believes that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In a letter dated October 9, 2013, the California Department of Finance (DOF) ordered the City of Marina Successor Agency (Agency) to remit to the County Auditor-Controller \$1,286,116, determined by the Department to be unencumbered funds in accordance with Health and Safety code Section 34170.6(f). The City disputed, and continues to dispute the Department’s determination of the amount of unencumbered funds and currently has pending a lawsuit against the Department on this matter.

On November 22, 2013, to avoid threatened legal action, the Agency remitted \$583,719 to the Monterey County Auditor-Controller in partial payment of the amount demanded by DOF. In letters dated October 30, 2013 and November 22, 2013, the Agency reiterated its non-waiver of constitutional, statutory, legal, and equitable rights and expressly reserved any and all rights, privileges, and defenses available under law and equity. The lawsuit filed by the Agency against DOF remains pending.

As a result of the litigation, the court decided the Agency may retain \$586,326, which was derived from land sale proceeds and previously transferred to the general fund. Additionally, the DOF issued a revised letter dated May 22, 2014, in which DOF ordered the Agency to remit to the County Auditor-Controller \$633,263 (composed of \$583,719 prior payment to the County

Auditor-Controller, \$51,160 disallowable transfer less \$1,616 reconciliation of beginning balances. On November 6, 2014, the Agency remitted the final payment of \$49,544.

In conclusion, the DOF issued a letter dated November 12, 2014, stating the DOF has completed the Finding of Completion for the Marina Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Agency has made full payment of the amounts determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

Within the DOF Finding of Completion, the Agency may now place loan agreements between the former redevelopment agency and sponsoring entity of the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes and utilize proceeds derived from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants.

See “APPENDIX B - FISCAL YEAR 2013-14 BASIC FINANCIAL STATEMENTS – Note 1.”

Long-Term Debt

The following are the long-term debt issues outstanding at June 30, 2014:

General Fund Obligation. The City participated in an issue of California Statewide Community Development Authority 2007 General Obligation Bonds, due in annual installments of \$15,000 to \$625,000, plus accrued interest through June 2019, for the purpose of refinancing an unfunded CalPERS pension liability. Interest is payable semi-annually in June and December at 5.06% to 5.37% per annum. On June 30, 2014, the principal due was \$1,995,000. The 2007 Bonds are payable from the City’s General Fund.

Revenue Bonds. The City issued its 2006 Multifamily Housing Revenue Bonds for the purpose of financing the acquisition of the Abrams B Apartments. The 2006 Revenue Bonds are payable from revenues of the apartment project, not from the City’s general fund.

Capital Leases

A schedule of future minimum lease payments pursuant to a capital lease for NGEN emergency communications equipment, together with present value of the minimum leases payments at June 30, 2014 follows:

Year Ending <u>June 30</u>	<u>Long-Term Debt</u>
2015	\$75,576
2016	57,577
2017	<u>18,894</u>
	\$170,047
Less Interest	<u>(5,515)</u>
Principal Portion of Future Lease Payments	<u>\$164,532</u>

Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases liability, property, errors and omissions, and workers' compensation insurance from the Monterey Bay Area Self Insurance Authority (MBASIA), a risk-sharing program. Under this program, coverage is provided for up to a maximum of \$20,000,000 for each general liability claim less the City's deductible of \$10,000. Statutory coverage is provided for workers' compensation claims.

The City is assessed a contribution to cover claims, operating costs and claim settlement expenses based upon an actuarially determined rate for each coverage layer pool. Additional cash contributions may be assessed on the basis of adverse loss experience. If the events of the year result in a negative risk position, the members' annual assessment may be increased in subsequent years. The City is unable to reasonably estimate the probability of MBASIA ending the year in a negative risk position. Refunds to members may be made if funds are determined to be surplus as a result of an actuarial study.

The City currently reports liability risk management activities in the general fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Workers' compensation insurance costs are allocated to various departments proportionate to their total payroll. For the year ended June 30, 2014, the City paid a total of \$1,138,399 to MBASIA for insurance coverage; \$178,381 and \$960,018 for liability and workers compensation insurance, respectively and did not receive a rebate from the program.

Impact of State Budget on City Revenues

State budgets are affected by national and state economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. The following paragraphs contain descriptions of the State budget process, the current State budget situation, and the potential impacts on the City.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act requires approval by a simple majority. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the City and is not incorporated herein by reference.*

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.
- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.
- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.
- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although starting with fiscal year 2013-14, recent State budgets have been balanced and balanced budgets are projected for the foreseeable future, largely attributable to improvements in the general economy, the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, as

well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

2014-15 State Budget

On June 20, 2014, Governor Brown approved the 2014-15 Budget Act (the “**2014-15 Budget**”), projecting \$108 billion in General Fund revenues, which is \$7.3 million more in General Fund revenues than in fiscal year 2013-14. The 2014-15 Budget is balanced and projects paying down more than \$10 billion in unprecedented amounts of budgetary debt from past years, including paying down deferral of payments to schools by \$5 billion, paying off Economic Recovery Bonds, repaying various special fund loans, and funding \$100 million in mandate claims that have been owed to local governments since 2004. The budgetary deficit is projected to be reduced to below \$5 billion by the end of 2016-17. The fiscal year begins with a 2014-15 State Budget reserve of \$2 billion dollars, including \$1.6 billion in the State’s Budget Stabilization Account, also known as the State’s rainy day fund. Temporary revenues provided by the passage of Proposition 30 (Sales and Income Tax Revenue Increase approved by State voters at an election held on November 8, 2011) and spending cuts have allowed for continued economic growth in the State. The 2014-15 State Budget also contains triggers allowing for additional spending, if various revenue benchmarks are exceeded. If revenues surpass certain estimates, then the Budget calls for more funds to be applied to higher education and to pay down debt. Certain highlights of the 2014-15 Budget are described below.

Constitutional Amendment on November, 2014 Ballot: Rainy Day Fund. In November 2014, State voters approved a constitutional amendment which alter the State’s requirements for the Budget Stabilization Account, the State’s existing rainy day account, including:

- Require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of General Fund tax revenues, and set the maximum size of the Rainy Day Fund at 10% of the General Fund revenues.
- Require half of each year’s deposit for the next 15 years be used for supplemental payments of debt or other long-term liabilities.
- Allow for withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years. The maximum amount that may be withdrawn in the first year of a recession would be limited to half of the Rainy Day Fund’s balance.
- Require that the state provide a multiyear budget forecast to better manage the state’s long-term finances.
- Create a Proposition 98 reserve, known as the Public School System Stabilization Account, where spikes in funding would be saved for future years. This is intended to smooth school spending and minimize future cuts to education funding.

K - 12 Budget Adjustments. The 2014-15 State Budget includes total funding of \$76.6 billion (\$45.3 billion General Fund and \$31.3 billion other funds) for all K-12 education programs. Prop. 98 funding has contributed \$10 billion to the total funding amount and the 2014-15 State

Budget provides \$1,954 more per K-12 student in 2014-15 than was provided in 2011-12. The 2014-15 State Budget also provides \$4.7 billion for the second year of implementing the Local Control Funding Formula and continues to commit most new funding to districts serving English language learners, students from low-income families, and youth in foster care.

Higher Education and Healthcare. The 2014-15 State Budget includes total funding of \$26.2 billion (\$14.7 billion General Fund and local property tax and \$11.5 billion other funds). It also provides for up to a 20 percent increase in General Fund appropriations over a four-year period. The 2014-15 Budget includes a 5 percent increase in 2014-15 for each university system, which equals \$284 million total. Regarding healthcare, the state's adoption of the optional expansion of Medi-Cal under federal law known as the Affordable Care Act created major new spending commitments. The 2014-15 Budget assumes an additional Medi-Cal caseload of 2.5 million individuals and a rise in costs of \$2.4 billion over fiscal year 2012-13.

Emergency Drought Response. On January 17, 2014, Governor Brown proclaimed a state of emergency due to the severe drought conditions faced by the state. Legislation was enacted in February which provided \$687.4 million to support drought relief. The 2014-15 Budget includes additional one-time resources to continue immediate drought-related efforts started in 2014, such as an increase of \$53.8 million General Fund and \$12.2 million other funds for firefighting efforts, and an increase of \$18.1 million General Fund to aid in assessing water conditions and provide public outreach regarding water conservation.

Numerous Factors Affecting Budget and Projections. The execution of the 2014-15 State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with spending reductions, including the elimination of redevelopment agencies, (iv) rising health care costs (v) large unfunded liabilities for retired State employee's pensions and healthcare, (vi) deferred maintenance of State's critical infrastructure and (vii) other factors, all or any of which could cause the revenue and spending projections made in 2014-15 State Budget to be unattainable. The City cannot predict the impact that the 2014-15 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the City cannot predict the accuracy of any projections made in the State's 2014-15 State Budget.

The complete 2014-15 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The City can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds

Governor's Proposed 2015-16 State Budget. On January 9, 2015, Governor Brown presented his proposed budget for the 2015-16 Fiscal Year (the "**2015-16 Proposed State Budget**"). The 2015-16 Proposed State Budget proposes a multiyear plan that is balanced, maintains a \$3.4 billion reserve, and pays down budgetary debt from past years. Under the 2015-16 Proposed State Budget, funding levels for the K-12 LCFF will increase by \$4 billion to \$13,462 per pupil, and funding levels for workforce education and training will increased by \$876 million. Funding is also increased for the University of California and California State University higher education systems. The 2015-16 Proposed State Budget includes a \$115 million allocation from the State's General Fund to address the drought, and addresses deferred maintenance issues with \$500 million from the State's General Fund.

The complete 2015-16 Proposed State Budget is available from the California Department of Finance website at www.dof.ca.gov. The City can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds.

The execution of the 2015-16 Proposed State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with proposed spending reductions, (iv) rising health care costs and (v) other factors, all or any of which could cause the revenue and spending projections made in the 2015-16 Proposed State Budget to be unattainable. The City cannot predict the impact that the 2015-16 Proposed State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the City cannot predict the accuracy of any projections made in the 2015-16 Proposed State Budget.

Uncertainty Regarding Future State Budgets. The City cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets are affected by national and state economic conditions, political conditions and other factors over which the City has no control. The City cannot predict what impact any future budget proposals will have on the financial condition of the City. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budgets.

The State has not entered into any contractual commitment with the City or the owners of the Bonds to provide State budget information to the City or the owners of the Bonds. Although the City believes the State sources of information listed above are reliable, the City assumes no responsibility for the accuracy of the State budget information set forth or referred to in this Official Statement.

APPENDIX B

FISCAL YEAR 2013-14 BASIC FINANCIAL STATEMENTS

APPENDIX C
PROPOSED FORM OF OPINION OF BOND COUNSEL

_____, 2015

City Council
City of Marina
211 Hillcrest Avenue
Marina, California 93933

OPINION: \$ _____ City of Marina 2015 General Obligation Refunding Bonds

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Marina (the "City") of its City of Marina 2015 General Obligation Refunding Bonds issued in the aggregate principal amount of \$_____ (the "Bonds"). The Bonds have been issued by the City under the Constitution and laws of the State of California, a resolution adopted by the City Council of the City on April 7, 2015 (the "Resolution") and a Paying Agent Agreement dated as of May 1, 2015 (the "Paying Agent Agreement"), between the City and MUFG Union Bank, N.A., as paying agent. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly organized and validly existing as a charter city and municipal corporation under the Constitution and laws of the State of California, with the power to adopt the Resolution, perform the agreements on its part contained therein and the Paying Agent Agreement and issue the Bonds.
2. The Bonds are valid and binding general obligations of the City.
3. The City has the power, is obligated and in the Resolution and the Paying Agent Agreement has covenanted to levy ad valorem taxes upon all property within the City which is subject to taxation by the City, without limitation of rate or amount, for the payment of the Bonds and the interest thereon.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the Resolution and in other instruments relating to the Bonds to comply with each of such requirements; and the City has full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
CITY OF MARINA
2015 General Obligation Refunding Bonds

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Marina, California (the “City”) in connection with the execution and delivery of the bonds captioned above (the “Bonds”). The Bonds are being issued and delivered pursuant to a resolution adopted by the City Council of the City on April 7, 2015 (the “Bond Resolution”) and a Paying Agent Agreement, dated as of May 1, 2015, between the City and MUFG Union Bank, N.A., as paying agent.

The City hereby covenants and agrees as follows:

Section 1. Purpose of the 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 Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

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

“*Annual Report Date*” means the date not later than April 1 after the end of each fiscal year of the City (currently June 30th).

“*Dissemination Agent*” means Applied Best Practices, LLC, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Paying Agent a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Paying Agent*” means MUFG Union Bank, N.A., or any successor thereto.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2016 with the report for the 2014-15 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Paying Agent and the Participating Underwriter. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the City, file a report with the City, with a copy to the Paying Agent and the Participating Underwriter, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) The City's audited financial statements 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 Annual Report Date, 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) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the Official Statement:

- (i) Assessed value of taxable property in the jurisdiction of the City as shown on the most recent equalized assessment roll;
- (ii) Property tax levy and delinquencies for the City, for the most recently completed Fiscal Year;
- (iii) Summary of property tax rates for all taxing entities within the City expressed as a percentage of assessed valuation in substantially the form of Table 2 of the Official Statement;
- (v) Top ten property tax assesses for current fiscal year, taxable value, and percentage of total assessed value in substantially the form of Table 4 of the Official Statement; and

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) 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 are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) 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) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security..
- (7) Modifications to rights of security holders.

- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected the Bonds under the Resolution.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States 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 City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 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(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be The City. Any Dissemination Agent may resign by providing 30 days' written notice to the City and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in

addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City 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 Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer: City of Marina
211 Hillcrest Avenue
Marina, California 93933
(831) 884-1278

To the Dissemination Agent: Applied Best Practices, LLC
(address)
Irvine, California

To the Paying Agent: MUFG Union Bank, N.A.

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, 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.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2015

CITY OF MARINA

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Marina (the "City")

Name of Bond Issue: City of Marina 2015 General Obligation Refunding Bonds,

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated _____, 2015. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

cc: Paying Agent and Participating Underwriter

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the City nor the Paying Agent take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

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

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

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, 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, Agent, or Issuer, 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 Issuer or Agent, 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.

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

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

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

03/06/15
 03/22/15
 03/27/15
 04/07/15

**IRREVOCABLE REFUNDING INSTRUCTIONS
 for**

City of Marina General Obligation Bonds, Election of 2002, Series 2005

These IRREVOCABLE REFUNDING INSTRUCTIONS (these "Instructions"), dated as of May __, 2015, are between the CITY OF MARINA, a charter city organized and existing under the laws of the State of California (the "City"), and MUFG UNION BANK, N.A., a national banking association organized and existing under the laws of the United States of America, acting as paying agent for the City's General Obligation Bonds, Election 2002, Series 2005 (the "Prior Bonds").

BACKGROUND:

1. The City has previously issued, executed and delivered the Prior Bonds, and MUFG Union Bank, N.A., serves as paying agent (the "Prior Bonds Paying Agent") for the Prior Bonds.
2. The Prior Bonds are all currently subject to redemption in full on August 1, 2015, and in order to raise funds to pay the redemption price of the Prior Bonds, the City and MUFG Union Bank, N.A., as paying agent (the "2015 Paying Agent") have entered into a Paying Agent Agreement dated as of May 1, 2015 (the "2015 Paying Agent Agreement") for the purpose of authorizing the execution and delivery of the City's 2015 General Obligation Refunding Bonds, in the aggregate principal amount of \$_____ (the "2015 Bonds"), the proceeds of which will be used to refund and redeem the Prior Bonds prior to their maturity date.
3. The City and the Prior Bonds Paying Agent have conducted proceedings to refund the Prior Bonds for purposes of defeasing and redeeming them on August 1, 2015.
4. The City wishes to give these Instructions to the Prior Bonds Paying Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the payment in full of the principal of, and interest and redemption premium, if any, on the Prior Bonds upon the redemption thereof on August 1, 2015.

INSTRUCTIONS:

In order to provide for the payment and prepayment of the Prior Bonds and to discharge the Prior Bonds and the obligations represented thereby, the City hereby irrevocably directs the Prior Bonds Paying Agent as follows:

SECTION 1. Establishment of Escrow Fund. The Prior Bonds Paying Agent is directed to establish an escrow fund (the "Escrow Fund") to be held by the Prior Bonds Paying Agent in trust as an irrevocable escrow securing the payment of the Prior Bonds and the City's obligations with respect thereto, as hereinafter set forth. All cash and securities in the Escrow Fund are

hereby irrevocably pledged as a special fund for the payment of the principal and interest represented by the Prior Bonds in accordance with the Prior Bonds Paying Agent Agreements. If at any time the Prior Bonds Paying Agent receives actual knowledge that the cash and securities in the Escrow Fund will not be sufficient to make any payment required by Section 3 with respect to the Prior Bonds, the Prior Bonds Paying Agent shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The Prior Bonds Paying Agent has no liability for any such insufficiency.

SECTION 2. Deposit into Escrow Fund. Concurrently with delivery of the 2015 Bonds, the Prior Bonds Paying Agent shall transfer into the Escrow Fund the amount of \$_____ received from the City (or as designated by the City) in immediately available funds, to be derived from the proceeds of sale of the 2015 Bonds and \$_____ being held by the City with respect to the Prior Bonds, for a total amount of \$_____.

SECTION 3. Investment of Escrow Fund. The Prior Bonds Paying Agent shall use \$_____ of amounts on deposit in the Escrow Fund in the security listed on Exhibit A hereto, and shall hold the \$___ on deposit in the Escrow Fund in cash, uninvested.

SECTION 4. Instructions as to Application of Deposit. The Prior Bonds Paying Agent shall apply the cash and securities held in the Escrow Fund for the sole purpose of paying the principal of and interest on, and the redemption price of, the Prior Bonds to and including August 1, 2015, as set forth in Appendix B. The City hereby elects to redeem, on August 1, 2015, the Prior Bonds outstanding on that date.

Neither the Paying Agent nor the Prior Bonds Paying Agent have any lien upon or right of set off against the securities and cash at any time on deposit in the Escrow Fund. Neither the Paying Agent nor the Prior Bonds Paying Agent are liable for the accuracy of any calculations provided as to the sufficiency of the moneys and securities deposited with it to pay the principal interest or redemption premium on the Prior Bonds.

The deposit made into the Escrow Fund under this Agreement constitutes an irrevocable deposit for the payment and redemption of the Prior Bonds in accordance with the Prior Bonds Paying Agent Agreements. The City hereby elects that the pledge of the funds provided for in the Prior Bonds Paying Agent Agreements, and all other obligations of the Prior Bonds Paying Agent and the City with respect to the Prior Bonds, shall cease and terminate, with the effect and subject to the limitations set forth in the respective Prior Bonds Paying Agent Agreement.

SECTION 5. Disposition of Excess Funds. Following payment and redemption in full of all of the Prior Bonds on August 1, 2015, the Prior Bonds Paying Agent shall withdraw any amounts remaining on deposit in the Escrow Fund and transfer those amounts to the 2015 Paying Agent, to be deposited in the Bond Service Fund established under the 2015 Paying Agent Agreement, and applied to pay a portion of the next interest coming due and payable on the 2015 Bonds.

SECTION 6. Irrevocable Election to Redeem Prior Bonds; Redemption Notice. The City hereby irrevocably elects to redeem all of the outstanding Prior Bonds on August 1, 2015. The Prior Bonds Paying Agent acknowledges that it has given notice of redemption to the owners of the Prior Bonds in accordance with the requirements of each of the Prior Bonds Paying Agent Agreement.

SECTION 7. Application of Certain Terms of Prior Bonds Paying Agent Agreements.

All of the terms of the Prior Bonds Paying Agent Agreements relating to the payment and redemption of principal of and interest and redemption premium, if any, on the Prior Bonds, and the protections, immunities and limitations from liability afforded the Prior Bonds Paying Agent are incorporated in these Instructions as if set forth in full herein.

SECTION 8. Compensation to Prior Bonds Paying Agent. The City shall pay the Prior Bonds Paying Agent full compensation for its services under these Instructions, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Prior Bonds Paying Agent has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

SECTION 9. Execution in Counterparts. These Instructions may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 10. Applicable Law. These Instructions shall be governed by and construed in accordance with the laws of the State of California.

CITY OF MARINA

By _____
[City Manager]

ACCEPTED:

MUFG UNION BANK, N.A., as Prior Bonds
Paying Agent

By _____
Authorized Officer

APPENDIX A
ESCROW FUND SECURITY

<u>Type</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Amount</u>	Total Purchase <u>Price</u>
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APPENDIX B

**PAYMENT AND REDEMPTION SCHEDULE
OF PRIOR BONDS**

City of Marina General Obligation Bonds, Election of 2002, Series 2005

<u>Payment Date</u>	<u>Principal Payment Amount</u>	<u>Interest Payment Amount</u>	<u>Redemption Premium Amount</u>	<u>Total</u>
August 1, 2015	\$7,885,000	\$	\$156,300	\$

PAYING AGENT AGREEMENT

By and Between

CITY OF MARINA

and

**MUFG UNION BANK, N.A.,
as Paying Agent**

Dated as of May 1, 2015

Relating to

**\$ _____
City of Marina
2015 General Obligation Refunding Bonds**

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EXHIBIT A FORM OF BOND

PAYING AGENT AGREEMENT

This Paying Agent Agreement (the "Agreement") is made and entered into as of May 1, 2015, by and between the City of Marina, a charter city organized and existing under the laws of the State of California (the "City") and MUFG Union Bank, N.A., a national banking association duly organized and existing under the laws of the United States, as Paying Agent (the "Paying Agent")

WITNESSTH:

WHEREAS, the City of Marina has heretofore issued its \$\$8,000,000 General Obligation Bonds, Election of 2002, Series 2005 (the "Prior Bonds"), currently outstanding in the principal amount of \$7,885,000;

WHEREAS, the City now desires to issue its 2015 General Obligation Refunding Bonds (the "Bonds") in order to refund, on a current basis, the Prior Bonds , in order to achieve debt service savings and lower the property tax override levied on the property owners of the City to pay debt service on the Prior Bonds; and

WHEREAS, the City now desires to issue its 2015 General Obligation Refunding Bonds (the "Bonds") in order to refund the Prior Bonds, in order to achieve debt service savings and lower the property tax override levied on the property owners of the City to pay debt service on the Prior Bonds; and

WHEREAS, this City has sold the Bonds as previously approved in the City Resolution (hereinafter defined);

NOW THEREFORE, the City and the Paying Agent agree as follows:

**ARTICLE I
DEFINITIONS; AUTHORITY**

Section 1.01. Definitions. The terms defined above and in this Section 1.01, as used and capitalized herein, shall, for all purposes of this Agreement, have the meanings ascribed to them below, unless the context clearly requires some other meaning.

"Act" means, collectively, Article 9 (commencing with section 53550) and Article 11 of Chapter 3 (commencing with section 53580) of Part 1 of Division 2 of Title 5 of the California Government Code, as in effect on the date of adoption hereof and as amended hereafter.

"Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

"Authorized Investments" means any investments permitted by law to be made with moneys belonging to, or in the custody of, the City.

"Beneficial Owner" means any person who 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 or depositories including, but not limited to, through the Nominee.

"Bond Counsel" means any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Service Fund" means the 2015 Bond Service Fund established pursuant to Section 4.04 hereof.

"Bond Year" means the twelve month period beginning on August 2 and ending on the following August 1, except that the first Bond Year shall begin on the Closing Date and end on August 1, 2015.

"Bonds" means the City of Marina 2015 General Obligation Refunding Bonds Outstanding pursuant to this Agreement.

"Business Day" means a day which is not a Saturday or Sunday or a day on which banks in San Francisco and Los Angeles, California, and New York, New York, are not required or permitted to be closed.

"City" means the City of Marina, a charter city duly organized and existing under the laws of the State of California.

"City Manager" means the City Manager or such other duly appointed officer of the City authorized by the City Council by resolution to perform the functions of the manager of the City.

"City Representative" means the City Manager, the Finance Director or any other person authorized by resolution of the City Council of the City to act on behalf of the City with respect to this Agreement.

"City Resolution" means the Resolution of the City Council adopted on April 7, 2015, authorizing the issuance of the Bonds.

"Closing Date" means the date upon which there is an exchange of Bonds for the proceeds representing the purchase price of the Bonds by the Purchaser, being May __, 2015.

"Code" means the Internal Revenue Code of 1986.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate dated the Closing Date and executed by the City, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance Fund" means the 2015 Costs of Issuance Fund established pursuant to Section 4.06 hereof.

"Debt Service" means the scheduled amount of interest and principal, including principal paid pursuant to mandatory sinking fund redemption, payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Debt Service Fund" means the 2015 Debt Service Fund established pursuant to Section 4.02 hereof.

"Depository" means any securities depository appointed to act as Depository under Section 2.13 hereof.

"Finance Director" means the Finance Director or such other duly appointed officer of the City authorized by the City Council by resolution to perform the functions of the finance director of the City.

"Excess Investment Earnings" means an amount equal to the sum of:

- (i) the excess of
 - (A) the aggregate amount earned on all Nonpurpose Investments (other than amounts attributable to such excess), over
 - (B) the amount which would have been earned if the Yield on such Nonpurpose Investments (other than amounts attributable to such excess) had been equal to the Yield on the Bonds,
- (ii) any income attributable to the excess described in clause (i).

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for

example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest if the return paid by the fund is without regard to the source of investment.

"Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

"Finance Director" means the Finance Director or such other duly appointed officer of the City authorized by the City Council by resolution to perform the functions of the finance director of the City.

"Fitch" means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Gross Proceeds" means the sum of the following amounts:

(a) original proceeds, namely, net amounts received by or for the City as a result of the sale of the Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(b) investment proceeds, namely, amounts received at any time by or for the City, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in paragraph (a) above) or investment proceeds (as referenced in this paragraph (b)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(c) sinking fund proceeds, namely, amounts, other than original proceeds or investment proceeds (as referenced in paragraphs (a) and (b) above) of the Bonds, which are held in the Debt Service Account and any other fund to the extent that the City reasonably expects to use such other fund to pay Debt Service on the Bonds;

(d) amounts in any fund established as a reasonably required reserve or replacement fund;

(e) Investment Property pledged as security for payment of Debt Service on the Bonds by the City;

(f) amounts, other than as specified in this definition, used to pay Debt Service on the Bonds; and

(g) amounts received as a result of investing amounts described in this definition.

"Information Services" means, in accordance with then current guidelines of the Securities and Exchange Commission, such services providing information with respect to the redemption of bonds as the City may designate in a Written Request of the City filed with the Paying Agent.

"Investment Property" means any security (as said term is defined in section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations (other than specified private activity bonds as defined in section 57(e)(5)(6) of the Code) the interest on which is excluded from gross income, under section 103 of the Code, for federal income tax purposes.

"Issuance Expenses" means all items of expense directly or indirectly relating to the execution, issuance and delivery of the Bonds including, but not limited to, filing and recording costs, settlement costs, underwriting fees, printing costs, reproduction and binding costs, legal fees and charges, bond insurance premiums, fees and expenses of the Paying Agent, financial and other professional consultant fees, costs of obtaining credit ratings and bond insurance premiums.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Nominee" means the nominee of the Depository as determined from time to time in accordance with Section 2.13.

"Nonpurpose Investments" means any Investment Property which is acquired with the Gross Proceeds of the Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

"Outstanding," when used as of any particular time with reference to Bonds, means all Bonds except:

(a) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of Section 9.03 hereof; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Agreement.

"Owner" or "Bondowner" means any person who shall be the registered owner of any Outstanding Bond.

"Participant" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as a securities depository.

"Participating Underwriter" has the meaning assigned to such term in the Continuing Disclosure Certificate.

"Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Office" means the corporate trust office of the Paying Agent in San Francisco, California, or, solely for purposes of the presentation of Bonds for payment, transfer or exchange, such corporate trust operations office designated by the Paying Agent, or such other location as approved by the City.

"Prior Bonds" shall have the meaning assigned to it in the preambles to this Agreement.

"Prior Bonds Paying Agent" means MUFG Union Bank, N.A., as paying agent for each of the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a governmental unit and use as a member of the general public.

"Proceeds Fund" means the 2015 Proceeds Fund established pursuant to Section 4.01 hereof.

"Purchase Price" - the term "Purchase Price", for the purpose of computation of the Yield of the Bonds, has the same meaning as the term "issue price" in sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesales) at which price a substantial amount of the Bonds are sold or, if the Bonds are privately placed, the price paid by the first buyer of the Bonds or the acquisition cost of the first buyer. The term "Purchase Price," for the purpose of computation of the Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Bonds.

"Purchaser" means Stifel, Nicolaus & Company, Incorporated.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Refunding Instructions" means the Irrevocable Refunding Instructions dated the Closing Date from the City to the Prior Bonds Paying Agent relating to the refunding of the Prior Bonds.

"S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services Division LLC business division, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Securities Depositories" means The Depository Trust Company or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities

depositories, or no such depositories, as the Agency may indicate in a certificate of the Agency delivered to the Paying Agent.

"Supplemental Agreement" means any agreement supplemental to or amendatory of this Agreement entered into in accordance with Article VIII hereof.

"Written Request of the City" means an instrument in writing signed by the City Representative.

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bonds produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

Section 1.02. Authority for this Agreement. This Agreement is being entered into pursuant to the authority set forth in the Act and the City Resolution constitutes a continuing agreement with the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal of and premiums, if any, and the interest on all pursuant to the provisions of the Act.

ARTICLE II THE BONDS

Section 2.01. Authorization. Bonds in the aggregate principal amount of _____ dollars (\$_____) are hereby authorized to be issued by the City under and subject to the terms of the Act and which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Bonds shall be designated the "City of Marina 2015 General Obligation Refunding Bonds".

Section 2.02. Terms of Bonds.

(a) Form; Numbering: The Bonds shall be issued as fully registered Bonds, without coupons, in the denomination of \$5,000 each or any integral multiple thereof, but in an amount not to exceed the aggregate principal amount of Bonds maturing in the year of maturity of the Bond for which the denomination is specified. Bonds shall be lettered and numbered as the Paying Agent shall prescribe.

(b) Date of Bonds: The Bonds shall be dated their date of issuance and delivery, being May __, 2015.

(c) CUSIP Identification Numbers: "CUSIP" identification numbers shall be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of the Purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the City to use such CUSIP numbers in any notice to Owners of the Bonds shall not constitute an event of default or any violation of the City's contract with such Owners and shall not impair the effectiveness of any such notice.

(d) Maturities; Interest. The Bonds shall bear interest at the rate or rates set forth below, payable on August 1, 2015 and on each February 1 and August 1 thereafter (each an "Interest Payment Date"), and shall mature and become payable as to principal on August 1 of the years and in the amounts as set forth below.

Maturity Date
(August 1)

Principal
Amount

Interest
Rate

Each Bond shall bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of an Interest Payment Date, in which event it shall bear interest from such date, or (ii) it is registered and authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is registered and authenticated on or prior to July 15, 2015, in which event it shall bear interest from the date of original issuance and authentication of the Bonds; provided, however, that if at the time of registration and authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

The following table sets forth the total debt service for the Bonds:

Date	Principal	Interest	Total	Bond Year Total
August 1, 2015				
February 1, 2016				
August 1, 2016				
February 1, 2017				
August 1, 2017				
February 1, 2018				
August 1, 2018				
February 1, 2019				
August 1, 2019				
February 1, 2020				
August 1, 2020				
February 1, 2021				
August 1, 2021				
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August 1, 2030				
February 1, 2031				
August 1, 2031				
February 1, 2032				
August 1, 2032				
February 1, 2033				
August 1, 2033				
February 1, 2034				
August 1, 2034				
February 1, 2035				
August 1, 2035				

(e) Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check mailed on the applicable Interest Payment Date to the Owner thereof at his or her address as it appears on the registration books maintained by the

Paying Agent at the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date, or at such other address as the Owner may have filed with the Paying Agent for that purpose; provided that an Owner of \$1,000,000 or more aggregate principal amount of Bonds, or the Owner of all of the Bonds at the time Outstanding, shall, at his or her option, receive payment of interest by wire transfer to an account in the United States of America designated by such Owner to the Paying Agent no later than the fifteenth (15) day of the month immediately preceding the applicable Interest Payment Date. Principal of the Bonds is payable in lawful money of the United States of America at the Principal Office of the Paying Agent.

Section 2.03. Redemption.

(a)(i) Optional Redemption. The Bonds maturing on or before August 1, 202_ are not subject to redemption prior to their respective maturity dates. Bonds maturing on or after August 1, 202_, shall be subject to redemption prior to their respective maturity dates as a whole or in part on any date, as designated by the City and, absent any such designation, in inverse order of maturities and by lot within a maturity from money provided at the option of the City, in each case on and after August 1, 202_, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

[(ii) Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption in part, by lot, prior to their stated maturity date, on each August 1 on and after August 1 20__, at a redemption price equal to 100% of the principal amount thereof called for redemption, plus accrued interest to the redemption date, without premium, as follows:

Date (<u>August 1</u>)	<u>Amount</u>
(maturity)]	

(b) Redemption Procedure. The Paying Agent shall cause notice of any redemption to be mailed, first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books maintained by the Paying Agent and to the Securities Depositories and the Information Services; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Bonds. The Paying Agent shall not mail any notice of redemption until it has sufficient moneys on deposit to pay the redemption price of all Bonds to be redeemed; provided, however, that such restriction shall not apply when the Bonds are redeemed with the proceeds of another obligation of the City; and provided further that in the event the Bonds are being redeemed with such proceeds, the City shall have the right to cancel the notice of redemption by providing written notice of such cancellation to the Paying Agent at least seven (7) Business Days prior to the date set for redemption.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then

surrendered at the Principal Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. In the event term bonds are redeemed in part, the City shall deliver a revised sinking fund schedule to the Paying Agent.

Upon surrender of Bonds redeemed in part only, the City shall execute and the Paying Agent shall authenticate and deliver to the Owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

From and after the date fixed for redemption, if notice of such redemption shall have been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

All Bonds redeemed pursuant to this Section 2.03 shall be canceled by the Paying Agent, and a certificate of cancellation shall be submitted by the Paying Agent to the City.

Section 2.04. Form of Bonds. The Bonds, the form of the Paying Agent's certificate of authentication and registration and the form of assignment to appear thereon shall be substantially in the forms, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, as are set forth in Exhibit A attached hereto.

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the City by the manual or facsimile signatures of its Mayor, Mayor Pro Tem or City Manager and its Treasurer, and attested by the manual or facsimile signature of its City Clerk, who are in office on the date of execution of this Agreement or at any time thereafter, and the seal of the City shall be impressed, imprinted or reproduced by facsimile thereon. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Purchaser. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City.

Only such Bonds as shall bear thereon a certificate of authentication and registration in the form set forth in Exhibit A attached hereto, executed and dated by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of the Paying Agent shall be conclusive evidence that the Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly

executed. The Paying Agent shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Paying Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

No transfers of Bonds shall be required to be made (a) fifteen days prior to the date established for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption (except with respect to the unredeemed portion thereof).

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The Paying Agent shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to the date established for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption (except with respect to the unredeemed portion thereof).

Section 2.08. Bond Register. The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the City upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as herein before provided.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Office of the Paying Agent and the Paying Agent shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits pursuant to this Agreement as definitive Bonds executed and delivered hereunder.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated the City, at the expense of the Owner of said Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated and provision of indemnity satisfactory to the Paying Agent. Every mutilated Bond so surrendered to the Paying Agent shall be canceled by it and delivered to, or upon the order of, the City. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and the Paying Agent and, if such evidence be satisfactory to the City and the Paying Agent and indemnity satisfactory to it shall be given, the City, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in lieu of and in

substitution for the Bond so lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the City and the Paying Agent in the premises. Any Bond issued under the provisions of this Section 2.10 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued pursuant to this Agreement.

Section 2.11. Book-Entry; Limited Obligation of City. The Bonds may be issued in the form of a separate single fully registered Bond (which may be typewritten) for each maturity. The ownership of such Bond shall be registered in the registration books kept by the Paying Agent in the name of the Nominee as nominee of the Depository.

With respect to Bonds registered in the registration books kept by the Paying Agent in the name of the Nominee, the City and the Paying Agent shall have no responsibility or obligation to such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the City and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than as shown in the registration books kept by the Paying Agent, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than a Nominee as shown in the registration books kept by the Paying Agent, of any principal of, premium, if any, or interest on the Bonds. The City and the Paying Agent may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Paying Agent as the owner and absolute Owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on such Bond, for the purpose of giving notices of prepayment and other matters with respect to such Bond, for the purposes of registering transfers with respect to such Bond, and for all other purposes whatsoever.

The Paying Agent shall pay all principal, premium, if any, and interest with respect to the Bonds, only to or upon the order of the respective Owners, as shown in the registration books kept by the Paying Agent, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the registration books kept by the Paying Agent, shall receive a Bond evidencing the obligation of the City to make payments of principal, premium, if any, and interest pursuant to this Paying Agent Agreement. Upon delivery by the Depository to the Nominee, the Paying Agent and the City of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions regarding the payment of the principal of and interest on the Bonds set forth in Section 2.02(e), the word Nominee in this Agreement shall refer to such new nominee of the Depository.

Section 2.12. Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the City shall execute, seal, countersign and deliver to such Depository a letter from the City representing such matters as shall be necessary to so qualify the Bonds (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any

way limit the provisions of Section 2.12 hereof or in any other way impose upon the City or the Paying Agent any obligation whatsoever with respect to Persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Paying Agent. In the written acceptance of the Paying Agent, such Paying Agent shall agree to take all actions necessary for all representations of the City in the Representation Letter with respect to the Paying Agent to at all times be complied with. In addition to the execution and delivery of the Representation Letter, the City shall take any other actions, not inconsistent with this Agreement, to qualify the Bonds for the Depository's book-entry system.

Section 2.13. Transfers Outside Book-Entry System. The City may, by written request, at any time or for any reason, remove the Depository and appoint a successor or successors thereto. In the event (i) the Depository determines not to continue to act as securities depository for any series of Bonds, or (ii) the City determines that the Depository shall no longer so act, then the City will discontinue the book-entry system with the Depository. If the City fails to identify another qualified securities depository to replace the Depository then the Bonds shall no longer be restricted to being registered in the registration books kept by the Paying Agent in the name of the Nominee, but shall be registered in whatever name or names Owners of such Bonds transferring or exchanging such Bonds shall designate, in accordance with the provisions of Section 2.06.

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

ARTICLE III
ISSUANCE OF BONDS; APPLICATION OF
BOND PROCEEDS; SECURITY FOR THE BONDS

Section 3.01. Issuance and Delivery of Bonds. At any time after the execution of this Agreement the City may issue and deliver Bonds in the aggregate principal amount of _____ dollars (\$_____).

The Mayor, the City Manager or the Finance Director are hereby directed to cause the Bonds substantially in the form attached hereto as Exhibit A to be printed, signed and sealed, and to be delivered to the Purchaser through the Depository on receipt of the purchase price therefor. The appropriate officials of the City are hereby authorized to take any and all action any of them deem reasonable in order to enable the City to execute and deliver the Bonds.

The Paying Agent is hereby authorized to deliver the Bonds to the Purchaser, upon receipt of a Written Request of the City.

Section 3.02. Application of Proceeds of Sale of Bonds. Upon the receipt of payment for the Bonds, the proceeds thereof, being \$_____ (constituting the par amount thereof (\$_____)), plus net original issue premium in the amount of \$_____, less the discount in the amount of \$_____ retained by the Purchaser), shall be paid to the Paying Agent who shall forthwith set aside, pay over and deposit such proceeds as follows:

- (a) Deposit in the Costs of Issuance Fund the amount of \$_____; and
- (b) Deposit in the Proceeds Fund, the remainder of the proceeds of the Bonds, being \$_____, which the Paying Agent will immediately transfer to the Prior Bonds Paying Agent for deposit under the Refunding Instructions as provided in Section 4.01.

Section 3.03. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the Project or upon the performance by any person of his or her obligation with respect to such Project.

Section 3.04. Security for the Bonds. The Bonds are general obligations of the City and the City has the power, is obligated and hereby covenants to levy ad valorem taxes upon all property within the City subject to taxation by the City, without limitation of rate or amount (except with respect to certain personal property which is taxed at limited rates), for the payment of the Bonds and the interest thereon, in accordance with all relevant provisions of law. The City hereby covenants to direct the County of Monterey to collect such ad valorem taxes in such amounts and at such times as is necessary to ensure the timely payment of Debt Service.

ARTICLE IV FUNDS AND ACCOUNTS

Section 4.01. Proceeds Fund. There is hereby established with the Paying Agent as a separate fund the 2015 Proceeds Fund (the "Proceeds Fund"), to the credit of which a deposit shall be made as required by Section 3.02(b). Money in the Proceeds Fund shall be transferred by the Paying Agent, immediately upon receipt thereof, to the Prior Bonds Paying Agent for deposit under and pursuant to the Refunding Instructions. At such time as no amounts remain on deposit in the Proceeds Fund, the Paying Agent shall close the Proceeds Fund.

Section 4.02. Debt Service Fund. There is hereby established with the City as a separate fund, to be maintained distinct from all other funds of the City, the 2015 Debt Service Fund. Upon the receipt thereof, the City shall deposit the proceeds of the ad valorem property taxes levied to pay Debt Service in the Debt Service Fund and, if any, other moneys lawfully available to pay debt service on the Bonds as provided in Section 3.04. The City shall also deposit in the Debt Service Fund the amount required by Section 3.04 hereof.

The Debt Service Fund shall be administered and disbursements made in the manner and in the order set forth in Section 4.03 hereof.

Section 4.03. Administration and Disbursements From Debt Service Fund. All moneys in the Debt Service Fund shall be used and withdrawn by the City solely for the purpose of paying the principal of and interest on the Bonds as the same shall become due and payable. On each January 28 and July 28, commencing July 28, 2015, the City shall transfer to the Paying Agent moneys on deposit in the Debt Service Fund for application by the Paying Agent on the next succeeding Interest Payment Date to the payment of principal [(including by mandatory sinking fund redemption)] of and interest on the Bonds. Amounts representing accrued interest on the Bonds or premium with respect to the Bonds shall be applied to pay interest on the Bonds prior to amounts collected pursuant to Section 3.04 being so applied.

After each January 28 and July 28, after making the transfers to the Paying Agent described above, amounts on deposit in the Debt Service Fund may also be used to pay the City's administrative costs with respect to the Bonds, including but not limited to the fees and expenses of the Paying Agent and the City's direct administrative costs and overhead. In determining the amount needed for deposit in the Debt Service Fund in each Bond Year, the City shall include such administrative costs, and the amounts used to pay or reimburse such administrative costs shall not exceed the amounts so levied and collected.

Section 4.04. Bond Service Fund. There is hereby established as a separate fund the 2015 Bond Service Fund (the "Bond Service Fund"), to be held by the Paying Agent. All moneys received by the Paying Agent from the City pursuant to Section 4.03 shall be deposited into the Bond Service Fund. The moneys on deposit in the Bond Service Fund shall be used solely to pay principal and interest on the Bonds when due. The funds in the Bond Service Fund shall be invested in a money market fund (including any fund for which the Paying Agent or any of its affiliates maintains or acts as sponsor or advisor) assigned a rating not lower than the second highest rating category (without regard to modifier) assigned by S&P, Moody's and Fitch.

Section 4.05. Investment of Moneys. Subject to the provisions of Section 5.08 hereof, amounts on deposit in the Debt Service Fund may be invested in Authorized Investments, and earnings on such investments shall remain in the respective fund or account. Authorized

Investments may be purchased at such prices as the City may determine, but in no event at more than their Fair Market Value.

Section 4.06. Costs of Issuance Fund. There is hereby established as a separate fund the 2015 Costs of Issuance Fund (the "Costs of Issuance Fund"), to be held by the Paying Agent, to the credit of which a deposit shall be made as required by Section 3.02(a). Moneys on deposit in the Costs of Issuance Fund shall be used by the Paying Agent to pay Issuance Expenses. If on July 31, 2015 amounts remain on deposit in the Costs of Issuance Fund, the Paying Agent will transfer such amounts to the Bond Service Fund to be applied to pay interest on the Bonds on August 1, 2015, provided that the Paying Agent shall notify the City at least 15 days prior to making such transfer. At such time as no amounts remain on deposit in the Costs of Issuance Fund, the Paying Agent shall close the Costs of Issuance Fund.

**ARTICLE V
OTHER COVENANTS OF THE CITY**

Section 5.01. Punctual Payment. The City will punctually pay, or cause to be paid, the principal of and interest on the Bonds, in strict conformity with the terms of the Bonds and of this Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and of the Bonds. Nothing herein contained shall prevent the City from making advances of its own moneys, howsoever derived, to any of the uses or purposes permitted by law.

Section 5.02. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.03. Payment of Claims. The City will pay and discharge, or cause to be paid and discharged, any and all lawful claims which might impair the security of the Bonds. Nothing herein contained shall require the City to make any such payment so long as the City in good faith shall contest the validity of said claims.

Section 5.04. Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City in which complete and correct entries shall be made of all transactions relating to the project financed with proceeds of the Prior Bonds. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Paying Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

Section 5.05. Protection of Security and Rights of Bondowners. The City will preserve and protect the security of the Bonds and the rights of the Bondowners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Section 5.06. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the terms of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be an Event of Default under Section 7.01 hereof; provided, however, any Participating Underwriter, any Owner or any Beneficial Owner 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 Section 5.06 and the Continuing Disclosure Certificate.

Section 5.07. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the

better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Agreement.

Section 5.08. No Arbitrage. The City shall not take, or permit or suffer to be taken by the Paying Agent or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

Section 5.09. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.10. Private Activity Bond Limitation. The City shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Section 5.11. Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Section 5.12. Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of Excess Investment Earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

Section 5.13. Information Report. The Finance Director is hereby directed to assure the filing of an information report for the Bonds in compliance with Section 149(e) of the Code.

ARTICLE VI THE PAYING AGENT

Section 6.01. Appointment of Paying Agent. MUFG Union Bank, N.A., at its Principal Office in [San Francisco], California, or in such other location as approved by the City, is hereby appointed Paying Agent for the Bonds. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and, even during the continuance of an Event of Default, no implied covenants or obligations shall be read into this Agreement against the Paying Agent. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Agreement by executing and delivering to the City this Agreement.

The City may remove the Paying Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business in the State of California, having (or, if such bank or trust company is a member of a bank holding company, its parent holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority referred to above, then for the purposes of this Section 6.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Paying Agent may at any time resign by giving written notice to the City and the Bondowners of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent shall become effective upon acceptance of appointment by the successor Paying Agent. If the City fails to appoint a successor Paying Agent within 60 days of the Paying Agent's removal or resignation, the Paying Agent may petition a court of competent jurisdiction for the appointment of a successor.

Section 6.02. Paying Agent May Hold Bonds. The Paying Agent may become the owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Paying Agent.

Section 6.03. Liability of Agents. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Paying Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall incur any responsibility in respect thereof, other than as set forth in this Agreement. The Paying Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In the absence of bad faith, the Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Paying Agent, the Paying Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement.

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

No provision of this Agreement shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Paying Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

The Paying Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Paying Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Paying Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Paying Agent in its discretion elects to act upon such instructions, the Paying Agent's understanding of such instructions shall be deemed controlling. The Paying Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Paying Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Paying Agent, including without limitation the risk of the Paying Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Any banking association or corporation into which the Paying Agent may be merged, converted or with which the Paying Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Paying Agent shall be a party, or any banking association or corporation to which all or substantially all of the corporate trust business of the Paying Agent shall be transferred, shall succeed to all the Paying Agent's rights, obligations and immunities hereunder without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 6.04. Notice to Agents. The Paying Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Paying Agent may consult with counsel, who may be of counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Agreement the Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Paying Agent, be deemed to be

conclusively proved and established by a certificate of the City, and such certificate shall be full warrant to the Paying Agent for any action taken or suffered under the provisions of this Agreement upon the faith thereof, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 6.05. Compensation, Indemnification. The City shall pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Agreement. A City Representative is hereby authorized to execute an agreement or agreements with the Paying Agent in connection with such fees and expenses. The City further agrees to indemnify and save the Paying Agent and its officers, agents, directors and employees harmless against any liabilities, costs, expenses (including, without limitation, legal fees and expenses), losses, judgments, damages, claims and suits which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or bad faith. This Section 6.05 shall survive the termination of this Agreement and the earlier removal or resignation of the Paying Agent.

Section 6.06. Funds and Accounts. The Paying Agent may establish such funds and accounts as it reasonably deems necessary or appropriate to perform its obligations under this Agreement.

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS

Section 7.01. Events of Default. If one or more of the following events ("Events of Default") shall happen, that is to say:

(a) if default shall be made by the City in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by declaration or otherwise;

(b) if default shall be made by the City in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if default shall be made by the City in the observance of any of the covenants, agreements or conditions on its part in this Agreement or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof to the City Representative; or

(d) if the City shall file a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, seeking reorganization of the City under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then, and in each and every event of default and upon written request of the Owners of not less than sixty five percent (65%) in aggregate principal amount of the Bonds at the time Outstanding, the principal of all of the Bonds then Outstanding, and the interest accrued thereon, shall be declared to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Agreement or in the Bonds contained to the contrary notwithstanding.

Such declaration may be rescinded by the Owners of not less than sixty five percent (65%) in aggregate principal amount of the Bonds at the time Outstanding provided the City cures such default or defaults, including the deposit with the Paying Agent of a sum sufficient to pay all principal on the respective Bonds matured prior to such declaration and all matured installments of interest (if any) on the Bonds, with interest at the rate of twelve percent (12%) per annum on such overdue installments of principal and, to the extent such payment of interest is lawful at that time, on such overdue installments of interest, so that the City is currently in compliance with all payment, deposit and transfer provisions of this Agreement, and a sum sufficient to pay any expenses incurred by the Paying Agent in connection with such default.

Section 7.02. Application of Funds. All of the sums in the funds and accounts provided for in Sections 4.03 and 4.05 hereof, upon the date of the Event of Default as provided in Section 7.01 hereof, and all sums thereafter received by the Paying Agent hereunder, shall be applied by the Paying Agent in the following order upon presentation of the Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the costs and expenses of the Paying Agent hereunder in declaring such event of default, including reasonable compensation to her or their agents, attorneys and counsel;

Second, in case the principal of the Bonds shall not have become due and payable, to the payment of the interest in default in the order of the seniority of the installments of such interest, with interest on the overdue installments at the rate of twelve percent (12%) per annum (to the extent that such interest on overdue installments shall have been collected), such payments to be made ratably to the persons entitled thereto without discrimination or preference;

Third, in case the principal of the Bonds shall have become and shall be then due and payable, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the rate of twelve percent (12%) per annum (to the extent that such interest on overdue installments of interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 7.03. Other Remedies of Bondowners. Any Bondowner shall have the right, for the equal benefit and protection of all Bondowners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the City and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Agreement and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bondowners' rights; or

(c) upon the happening of any event of default (as defined in Section 7.01 hereon), by suit, action or proceeding in any court of competent jurisdiction, to require the City and its members and employees to account as if it and they were the Paying Agents of an express trust.

Section 7.04. Non-Waiver. Nothing in this Article VII or in any other provision of this Agreement, or in the Bonds, shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Bondowner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Bondowners by this Article VI may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners of the Bonds.

If a suit, action or proceeding to enforce any right or exercise any remedy be abandoned or determined adversely to the Bondowners, the City and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 7.05. Remedies Not Exclusive. No remedy herein conferred upon the Owners of Bonds shall be exclusive of any other remedy and that each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereafter conferred on the Bondowners.

**ARTICLE VIII
SUPPLEMENTAL AGREEMENTS**

Section 8.01. Amendments Permitted. This Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the ad valorem taxes of the taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Paying Agent without its written consent.

This Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the City in this Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;
- (b) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect, as determined by the City;
- (c) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the City and the Paying Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not materially adversely affect the rights of the Owners of the Bonds, as determined by the City; and
- (d) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of Excess Investment Earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

The Paying Agent shall, prior to executing such Supplemental Agreement, be entitled to receive and rely upon an opinion of counsel stating that such Supplemental Agreement is authorized or permitted in accordance with the terms of this Agreement.

Section 8.02. Owners' Meetings. The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof, and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The City and the Paying Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01, to take effect when and as provided in this Section. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Paying Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Paying Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Paying Agent prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Paying Agent. A record, consisting of the papers required by this Section 8.03 to be filed with the Paying Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Paying Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII; except that in determining whether the Paying Agent shall be protected in relying upon any such approval or consent of an Owner, only Bonds which the Paying Agent actually knows to be owned or held for the account of the City (excepting any pension or retirement fund) shall be disregarded unless all Bonds are so owned in which case such Bonds shall be considered outstanding for the purpose of such determination.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and

obligations under this Agreement of the City and all owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Office of the Paying Agent or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Paying Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him or her.

ARTICLE IX MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the City, the Paying Agent and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Paying Agent.

Section 9.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Agreement or any Supplemental Agreement either the City or the Paying Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Paying Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement. The City shall have the option to pay and discharge the indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding and designated for defeasance, as and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before maturity, money which, together with, in the event of a discharge of all of the Bonds, the amounts then on deposit in the funds provided for in Sections 4.02 and 4.04 is fully sufficient to pay such Bonds Outstanding and designated for defeasance, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Paying Agent, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed in writing by an independent certified public accountant will, together with the interest to accrue thereon and, in the event of a discharge of all of the Bonds, moneys then on deposit in the funds and accounts provided for in Sections 4.02 and 4.04, be fully sufficient to pay and discharge the indebtedness on such Bonds Outstanding and designated for defeasance (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (a), (b) or (c) above, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the funds and moneys provided for in this Agreement and all other obligations of the City under this Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Paying Agent. Notwithstanding the foregoing, the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Paying Agent pursuant to Section 6.05 shall continue in any event.

Upon compliance by the City with the foregoing with respect to all Bonds Outstanding and designated for defeasance, any funds held by the Paying Agent after payment of all fees and expenses of the Paying Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Paying Agent in good faith and in accordance therewith.

Section 9.05. Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.06. Notices to and Demands on City and Paying Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Paying Agent to or on the City may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the City with the Paying Agent) to the City of Marina, 211 Hillcrest Avenue, Marina, California 93933, Attn: Finance Director.

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the City to or on the Paying Agent may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Paying Agent with the City) to MUFJ Union Bank, N.A., 350 California Street, 11th Floor, San Francisco, California 94104, Attention: Corporate Trust Services.

Section 9.07. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The City hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 9.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Paying Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payments of such principal, interest and premium have become payable, if such moneys was held by the Paying Agent at such date, shall be repaid by the Paying Agent (without liability for interest) to the City as its absolute property free from any trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the City for the payment of the principal of, and interest and any premium on, such Bonds.

Section 9.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 9.10. Conflict with Act. In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 9.11. Conclusive Evidence of Regularity. Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the ad valorem taxes securing the payment of the Bonds.

Section 9.12. Payment on Business Day. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Agreement is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period after such date.

Section 9.13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the City has caused this Agreement to be executed in its name and the Paying Agent has caused this Agreement to be executed in its name, all as of the date first written above.

CITY OF MARINA

By: _____
City Manager

MUFG UNION BANK, N.A.,
as Paying Agent

By: _____
Authorized Officer

No. _____

\$ _____

**EXHIBIT A
FORM OF BOND**

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF MARINA**

**CITY OF MARINA
2015 GENERAL OBLIGATION REFUNDING BOND**

Interest Rate	Maturity Date	Issue Date	CUSIP
	August 1, 20__	May __, 2015	

REGISTERED OWNER: Cede & Co.

PRINCIPAL SUM: _____ DOLLARS

The CITY OF MARINA, a charter city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), for value received hereby promises to pay to the Registered Owner stated above, or registered assigns (the "Owner"), on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless (i) this Bond is authenticated on an interest payment date, in which event it shall bear interest from such date of authentication, or (ii) this Bond is authenticated prior to an interest payment date and after the close of business on the fifteenth day of the month preceding such interest payment date, in which event it shall bear interest from such interest payment date, or (iii) this Bond is authenticated on or prior to July 15, 2015, in which event it shall bear interest from the Issue Date stated above; provided however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond) until payment of such Principal Sum in full, at the rate per annum stated above, payable on August 1, 2015 and on each February 1 and August 1 thereafter, calculated on the basis of 360-day year composed of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable at the designated corporate trust office of MUFG Union Bank, N.A., (the "Paying Agent"). Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check mailed on the applicable Interest Payment Date to the Owner at his or her address as it appears on the registration books maintained by the Paying Agent as of the close of business on the fifteenth day of the month next preceding such interest payment date, or at such other address as the Owner may have filed with the Paying Agent for that purpose.

This Bond is one of a duly authorized issue of bonds of the City designated as "City of Marina 2015 General Obligation Refunding Bonds" (the "Bonds"), in an aggregate principal amount of _____ dollars (\$_____), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption and other provisions) and all issued pursuant to the provisions of Article 9 (commencing with section 53550) and Article 11 of Chapter 3 (commencing with section 53580) of Part 1 of Division 2 of Title 5 of the California Government Code (collectively, the "Act"), pursuant to a resolution of the City adopted April 7, 2015 (the "Resolution"), authorizing the issuance of the Bonds and a Paying Agent Agreement dated as of May 1, 2015 (the "Agreement") between the City and the Paying Agent. Reference is hereby made to the Resolution and the Agreement (copies of which are on file at the office of the Paying Agent) and the Act for a description of the terms on which the Bonds are issued and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Paying Agent and the rights and obligations of the City thereunder, to all of the provisions of which Resolution and Agreement the Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued for the purpose of refunding certain previously issued general obligation bonds of the City.

This Bond and the interest hereon and on all other Bonds and the interest thereon (to the extent set forth in the Agreement) are general obligations of the City and the City has the power, is obligated and has covenanted to levy ad valorem taxes for the payment of the Bonds and the interest thereon, in accordance with all relevant provisions of law. The City has covenanted in the Agreement to direct the County of Monterey to levy and collect such ad valorem taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service on the Bonds. Further, if and to the extent the amount of such ad valorem taxes collected is insufficient to pay debt service on the Bonds, the City is obligated, under the Agreement, to use any other moneys lawfully available therefor to pay debt service on the Bonds.

The Bonds maturing on or before August 1, 202_ are not subject to redemption prior to their respective maturity dates. Bonds maturing on or after August 1, 202_, shall be subject to redemption prior to their respective maturity dates as a whole or in part on any date, as designated by the City and, absent any such designation, in inverse order of maturities and by lot within a maturity from money provided at the option of the City, in each case on and after August 1, 202_, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

As provided in the Agreement, notice of redemption shall be given by mail no less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective registered owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books maintained by the Paying Agent, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Agreement, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Agreement, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Agreement, but such declaration and its consequences may be rescinded and annulled as further provided in the Agreement.

The Bonds are issuable as fully registered Bonds, without coupons, in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Agreement, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Paying Agent, but only in the manner and subject to the limitations provided in the Agreement, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The City and the Paying Agent may treat the Owner hereof as the absolute owner hereof for all purposes, and the City and the Paying Agent shall not be affected by any notice to the contrary.

The Agreement may be amended without the consent of the Owners of the Bonds to the extent set forth in the Agreement.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Agreement.

This Bond shall not be entitled to any benefit under the Agreement or become valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Paying Agent.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the City of Marina has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its [City Manager] and attested by the facsimile signature of its City Clerk and its seal to be reproduced hereon, all as of the Issue Date stated above.

CITY OF MARINA

By: _____
[City Manager]

ATTEST:

City Clerk

[FORM OF PAYING AGENT'S CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Agreement.

Date of Authentication: _____

MUFG UNION BANK, N.A.,
as Paying Agent

Authorized Signatory

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or Tax Regulations:

TEN COMM--as tenants in common

TEN ENT--as tenants by the entireties

JT TEN--as joint tenants with right of survivorship and not as tenants in common

COMM PROP--as community property

UNIF TRANS MIN ACT _____ Custodian _____
(Cust.) (Minor)

under Uniform Transfers to Minors Act _____
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED THOUGH NOT IN THE LIST ABOVE

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto the within

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint

attorney, to transfer the same on the registration books of the Paying Agent, with full power of substitution in the premises.

Dated: _____

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

Signature Guaranteed:

Notice: Signature(s) must be guaranteed by a qualified guarantor institution

\$ _____
CITY OF MARINA
2015 GENERAL OBLIGATION REFUNDING BONDS

BOND PURCHASE AGREEMENT

April __, 2015

City of Marina
211 Hillcrest Avenue
Marina, California 93933

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the "Underwriter") offers to enter into this Bond Purchase Agreement (this "Bond Purchase Agreement") with the City of Marina, California (the "City") which will be binding upon the City and the Underwriter upon the acceptance hereof by the City. This offer is made subject to its acceptance by the City by execution of this Bond Purchase Agreement and its delivery to the Underwriter on or before 11:59 p.m., California time, on the date hereof. All terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Paying Agent Agreement (as hereinafter defined).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the City for offering to the public, and the City hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the \$_____ aggregate principal amount of the City's 2015 General Obligation Refunding Bonds (the "Bonds"), at a purchase price equal to \$_____ (constituting the par amount thereof, plus net original issue premium of \$_____ and less an Underwriter's discount of \$_____).

The City acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the City and the Underwriter, (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the City, (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the City with respect to (x) the offering of the Bonds or the process leading thereto (whether or not the Underwriter or any affiliate of the Underwriter has advised or is currently advising the City on other matters) or (y) any other obligation to the City except the obligations expressly set forth in this Bond Purchase Agreement and (iv) the City has consulted with its own legal, financial and other professional advisors, including Fieldman, Rolapp & Associates, Inc., as financial advisor to the City (the "Financial Advisor") in connection with the issuance of the Bonds, to the extent it deemed appropriate in connection with the offering of the Bonds. The City acknowledges that it has previously provided the Underwriter with an acknowledgment of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB").

Section 2. Description of the Bonds. The Bonds constitute a series of general obligation bonds of the City. The Bonds will be issued and secured pursuant to the provisions of the Paying Agent Agreement, dated as of May 1, 2015 (the "Paying Agent Agreement") between the City and MUFG Union Bank, N.A. (the "Paying Agent"), which Paying Agent Agreement was approved by a resolution of the City Council adopted on April 7, 2015 (the "Bond Resolution") and pursuant to the provisions of Articles 9 and 11 of Chapter 3 (commencing with Section 53550) of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"). The Bonds shall be as described in the Official Statement relating to the Bonds (which, together with all exhibits and appendices included therein or attached thereto and such amendments or supplements thereto which shall be approved by the Underwriter, is hereinafter called the "Official Statement") and shall be subject to redemption as set forth in Appendix A hereto.

The proceeds of the Bonds will be applied by the City to refund all of the \$8,000,000 City of Marina General Obligation Bonds, Election of 2002, Series 2005 (the "Prior Bonds"), currently outstanding in the principal amount of \$7,885,000???, pursuant to Irrevocable Refunding Instructions (the "Refunding Instructions") to be dated the date of the Closing (as such term is defined below) and given by the City to MUFG Union Bank, N.A., as paying agent for the Prior Bonds (the "Prior Bonds Paying Agent").

Section 3. Public Offering. The Underwriter agrees to make a bona fide public offering of all the Bonds initially at the public offering prices (or yields) set forth on Appendix A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Appendix A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The debt service schedule for the Bonds is also set forth in Appendix A.

Section 4. Delivery of Official Statement; Use of Documents. The City has delivered or caused to be delivered to the Underwriter prior to the execution of this Bond Purchase Agreement or the first offering of the Bonds, whichever first occurs, copies of the Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement"). Such Preliminary Official Statement is the official statement deemed final by the City for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule") and approved for distribution by resolution of the City.

By the earlier of the date of the Closing or seven (7) business days from the date hereof, and in any event in sufficient time to accompany customer confirmations requesting payment, the City shall deliver to the Underwriter a final Official Statement, executed on behalf of the City by an authorized representative of the City, which shall include information permitted to be omitted by paragraph (b)(1) of the Rule and with such other amendments or supplements as shall have been approved by the City and the Underwriter.

The City will undertake, pursuant to the Paying Agent Agreement and a continuing disclosure certificate (the "Continuing Disclosure Certificate"), to provide certain annual financial information and notices of the occurrence of certain enumerated events. The form of Continuing Disclosure Certificate is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

The City hereby authorizes the Underwriter to use, in connection with the offer and sale of the Bonds, this Bond Purchase Agreement, the Paying Agent Agreement, the Official Statement, the Bond Resolution, and all information contained herein and therein and all of the documents, certificates or statements furnished by the City to the Underwriter in connection with the transactions contemplated by this Bond Purchase Agreement.

Section 5. The Closing. At 8:00 a.m., California time, on May __, 2015, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the City and the Underwriter, the City will deliver (i) the Bonds in definitive form to the Underwriter through the facilities of The Depository Trust Company, with CUSIP identification numbers printed thereon, in fully registered form and registered in the name of Cede & Co., and (ii) the closing documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation, Bond Counsel (the "Bond Counsel") in San Francisco, California or another place to be mutually agreed upon by the City and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by federal funds wire payable to the order of the Trustee on behalf of the City. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the "Closing." The Bonds will be delivered in such denominations and deposited in the account or accounts specified by the Underwriter pursuant to written notice not later than five business days prior to Closing. The Bonds will be made available to the Underwriter for inspection not less than 24 hours prior to the Closing.

Section 6. Representations, Warranties and Covenants. The City represents, warrants and covenants to the Underwriter that:

(a) Due Organization, Existence and City. The City is a municipal corporation duly organized and existing under the laws of the State of California, with full right, power and authority to execute, deliver and perform its obligations under this Bond Purchase Agreement, the Paying Agent Agreement, the Bond Resolution, the Refunding Instructions and the Continuing Disclosure Certificate (together, the "City Documents") and to carry out and consummate the transactions contemplated by the City Documents and the Official Statement.

(b) Due Authorization and Approval. By all necessary official action of the City, the City has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations contained in, the City Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the City Documents will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally. The City has complied, and will at the Closing be in compliance in all respects, with the terms of the City Documents.

(c) Official Statement Accurate and Complete. The Preliminary Official Statement was as of its date, and the final Official Statement is, and at all times subsequent to the date of the final Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the final Official Statement contain, and up to and including the Closing will contain, no misstatement of any material fact and do not, and up to and including the Closing will

not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

(d) Underwriter's Consent to Amendments and Supplements to Official Statement. For a period of 25 days after the end of the underwriting period, the City will not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall object in writing or which shall be disapproved by the Underwriter (the Underwriter's approval of such amendment or supplement shall not be unreasonably withheld); and if any event relating to or affecting the City shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, the City shall forthwith prepare and furnish (at the expense of the City) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time such supplemental Official Statement is delivered to a purchaser, not misleading. Unless otherwise notified by the Underwriter by the date of the Closing, the City may assume that the underwriting period has ended on the date of the Closing.

(e) No Breach or Default. As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the City is not and will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States, or any applicable judgment or decree or any agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the City Documents and compliance with the provisions of each of such agreements or instruments do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States, or any applicable judgment, decree, license, permit, agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the City Documents.

(f) No Litigation. As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government authority, public board or body, is pending or, to the best knowledge of the City, threatened (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any ad

valorem property taxes to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the City Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the City and its authority to repay the Bonds; (iii) which may result in any material adverse change relating to the City; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the final Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the final Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

(g) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request, or which have not been taken or obtained; provided, however, that the City shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

(h) Continuing Disclosure. In accordance with the requirements of Rule 15c2-12, the City will enter into the Continuing Disclosure Certificate, upon or prior to the sale of the Bonds, in which the City will undertake, for the benefit of the Owners of the Bonds, to provide certain information as set forth therein. Based on a review of its prior undertakings with respect to Rule 15c2-12, and except as described in the Official Statement, in the five preceding years, the City has never failed to comply with any continuing disclosure obligation entered into pursuant to Rule 15c2-12.

(i) Financial Condition. The financial statements of, and other financial information regarding the City, contained in the Preliminary Official Statement and Official Statement fairly represent the financial position and operating results of the City as of the dates and for the periods set forth therein. Since the date of the Preliminary Official Statement, there has been no adverse change of a material nature in such financial position, results of operation or condition, financial or otherwise, of the City. The City is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the City, would have a materially adverse effect on the financial condition of the City.

Section 7. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations, warranties and covenants herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations under this Bond Purchase Agreement to purchase and pay for the Bonds shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the City contained herein shall be true, complete and correct at the date hereof and at

the time of the Closing, as if made on the date of the Closing and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the City shall be in compliance with each of the agreements made by it in this Bond Purchase Agreement.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing (i) the City Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter and (ii) there shall be in full force and effect the Bond Resolution and such other resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by this Bond Purchase Agreement, the Official Statement and the City Documents.

(c) Closing Documents. At or prior to the Closing, the Underwriter shall receive each of the documents identified in Section 8.

(d) Adverse Rulings. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Bond Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the City, is pending or threatened, which has any of the effects described in Section 6(f) hereof or contesting in any way the completeness or accuracy of the Official Statement;

(e) Change in Financial Condition. At the time of the Closing, there shall not have occurred any change or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings or operations of the City from that set forth in the Official Statement that in the judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable or inadvisable to market the Bonds on the terms and in the manner contemplated in the Official Statement.

Section 8. Closing Documents. In addition to the other conditions to the Underwriter's obligations under this Bond Purchase Agreement to purchase and pay for the Bonds, at or before the Closing the Underwriter shall receive each of the following documents, provided that the actual payment for the Bonds by the Underwriter and the acceptance of delivery thereof shall be conclusive evidence that the requirements of this Section 8 shall have been satisfied or waived by the Underwriter.

(a) *Bond Opinion.* An approving opinion of Bond Counsel dated the date of the Closing and substantially in the form appended to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that the foregoing opinion addressed to the City may be relied upon by the Underwriter to the same extent as if such opinion were addressed to them.

(b) *Supplemental Opinion.* A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter, and dated the date of the Closing substantially to the following effect:

(i) The City Documents have been duly authorized, executed and delivered by the City and constitute the valid, legal and binding agreements of the City, enforceable in accordance with their respective terms.

(ii) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Paying Agent Agreement is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

(iii) The description of the Bonds and the security for the Bonds and statements in the Official Statement on the cover page thereof and under the captions "INTRODUCTION," "REFINANCING PLAN," "THE BONDS" (excluding any and all information contained under the subheading "–Book-Entry Form"), "SECURITY FOR THE BONDS," and "LEGAL MATTERS – Tax Exemption," to the extent they purport to summarize certain provisions of the Paying Agent Agreement, the Continuing Disclosure Certificate and California law or federal law, fairly and accurately summarize the matters purported to be summarized therein.

(iv) as a result of the deposit and application of funds in accordance with the Refunding Instructions, the obligations of the City with respect to the Prior Bonds has ceased and terminated in accordance with the provisions of the documents authorizing the Prior Bonds.

(c) *Disclosure Counsel Opinion.* An opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel to the City, dated the date of the Closing and addressed to the City and the Underwriter and in form acceptable to the Underwriter, substantially to the effect that, based upon its participation in the preparation of the Official Statement and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, Disclosure Counsel has no reason to believe that, as of its date and as of the date of the Closing, the Official Statement (excluding therefrom the reports, financial and statistical data and forecasts therein, the information included in the Appendices thereto, information relating to The Depository Trust Company and its book-entry system, as to which no opinion need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(d) *Underwriter's Counsel Opinion.* An opinion of Underwriter's Counsel, dated the date of the Closing, in form and substance acceptable to the Underwriter;

(e) *City Certificate.* A certificate of the City, dated the date of the Closing, signed on behalf of the City by its City Manager, Finance Director or other duly authorized officer of the City to the effect that:

(i) The representations, warranties and covenants of the City contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the City has complied with all of the terms and conditions of this Bond Purchase Agreement required to be complied with by the City at or prior to the date of the Closing.

(ii) No event affecting the City has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in

order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iii) Except as otherwise disclosed in the Official Statement there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, or to the best knowledge of such signing officer after due inquiry, threatened against the City, challenging the creation, organization or existence of the City, or the validity of the City Documents or seeking to restrain or enjoin the repayment of the Bonds or in any way contesting or affecting the validity of the City Documents or contesting the authority of the City to enter into or perform its obligations under any of the City Documents, or under which a determination adverse to the City would have a material adverse effect upon the financial condition or the revenues of the City, or which, in any manner, questions the right of the City to cause the levy and collection of ad valorem property taxes for the payment of the Bonds.

(f) *Paying Agent Certificate.* A written certificate of the Paying Agent, executed by a duly authorized representative of the Paying Agent, dated the date of the Closing, to the effect that:

(i) The Paying Agent is a national banking association, duly organized and validly existing under the laws of the United States of America, having full power to enter into, accept and perform its duties under the Paying Agent Agreement.

(ii) The Paying Agent Agreement has been duly authorized, executed and delivered by the Paying Agent and constitutes the legal, valid and binding obligation of the Paying Agent enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought.

(g) *Prior Bonds Paying Agent Certificate.* A written certificate of the Prior Bonds Paying Agent, executed by a duly authorized representative of the Prior Bonds Paying Agent, dated the date of the Closing, to the effect that:

(i) The Prior Bonds Paying Agent is a national banking association, duly organized and validly existing under the laws of the United States of America, having full power to enter into, accept and perform its duties under the Refunding Instructions.

(ii) The Refunding Instructions have been duly authorized, executed and delivered by the Prior Bonds Paying Agent and constitute the legal, valid and binding obligation of the Prior Bonds Paying Agent enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought.

(h) *Original Executed Documents.* An original executed copy of each of the City Documents.

(i) *Verification.* A verification report of _____, certified public accountants, verifying the sufficiency of the amounts deposited and invested under the Refunding Instructions for the purpose of refunding the Prior Bonds.

(j) *Rating.* Evidence that the Bonds are rated “__” by Standard & Poor’s Ratings Services, which rating is in full force and effect on the date of the Closing.

(k) *Tax Certificate.* A tax certificate or certificates of the City in form satisfactory to Bond Counsel.

(l) *Additional Documents.* Such additional certificates, instruments and other documents as Bond Counsel, the City or the Underwriter may reasonably deem necessary.

If the City shall be unable to satisfy the conditions contained in this Bond Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor the City shall be under further obligation hereunder, except as further set forth in Section 10.

Section 9. Termination Events. The Underwriter shall have the right to terminate this Bond Purchase Agreement, without liability therefor, by notification to the City if at any time between the date hereof and prior to the Closing:

(a) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(b) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Bond Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or California court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or California authority materially adversely affecting the federal or State tax status of the City, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(c) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(d) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Paying Agent Agreement needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(e) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(f) a general banking moratorium shall have been established by federal or California authorities; or

(g) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak of hostilities or a national or international calamity or crisis, or there has occurred any escalation of existing hostilities, calamity or crisis, financial or otherwise, the effect of which on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(h) any rating of the Bonds shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(i) the commencement of any action, suit or proceeding described in Section 6(d)(iii) with respect to the City which, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(j) there shall be in force a general suspension of trading on the New York Stock Exchange.

Section 10. Expenses. The City shall pay or cause to be paid the expenses incident to the performance of the obligations of the City hereunder from bond proceeds including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the City Documents and the cost of preparing, printing, issuing and delivering the definitive Bonds, (b) the fees and disbursements of any counsel, accountants or other experts or consultants retained by the City; (c) the fees and disbursements of Bond Counsel and Disclosure Counsel; and (d) the cost of printing of the Preliminary Official Statement and any supplements and amendments thereto and the cost of printing of the Official Statement, including the requisite number of copies thereof for distribution by the Underwriter.

The Underwriter shall pay and the City shall be under no obligation to pay all expenses incurred by it in connection with the public offering and distribution of the Bonds, including but not limited to CUSIP Bureau fees, California Debt Advisory and Investment Commission fees and the fees of its counsel.

Section 11. Notice. Any notice or other communication to be given to the City under this Bond Purchase Agreement may be given by delivering the same in writing to such entity at the address set forth above. Any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to: Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 37th Floor, San Francisco, California 94104, Attention: Holly Vocal.

Section 12. Entire Agreement. This Bond Purchase Agreement, when accepted by the City, shall constitute the entire agreement between the City and the Underwriter and is made solely for the benefit of the City and the Underwriter (including the successors or assigns of any Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All the City's representations, warranties and agreements in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter.

Section 13. Counterparts. This Bond Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 15. Governing Law. The validity, interpretation and performance of this Bond Purchase Agreement shall be governed by the laws of the State of California.

Section 16. No Assignment. The rights and obligations created by this Bond Purchase Agreement shall not be subject to assignment by the Underwriter or the City without the prior written consent of the other parties hereto.

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED,** as Underwriter

By: _____

Its: _____

Accepted as of the date first stated above:

CITY OF MARINA

BY: _____
[City Manager]

Time of Execution: _____

APPENDIX A

MATURITY SCHEDULE

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price
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[C = Priced to the par call date of August 1, 202_].

DEBT SERVICE TABLE

Date	Principal	Interest	Total	Bond Year Total
August 1, 2015				
February 1, 2016				
August 1, 2016				
February 1, 2017				
August 1, 2017				
February 1, 2018				
August 1, 2018				
February 1, 2019				
August 1, 2019				
February 1, 2020				
August 1, 2020				
February 1, 2021				
August 1, 2021				
February 1, 2022				
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August 1, 2030				
February 1, 2031				
August 1, 2031				
February 1, 2032				
August 1, 2032				
February 1, 2033				
August 1, 2033				
February 1, 2034				
August 1, 2034				
February 1, 2035				
August 1, 2035				

REDEMPTION PROVISIONS

Optional Redemption

The Bonds maturing on or before August 1, 202_ are not subject to redemption prior to their respective maturity dates. Bonds maturing on or after August 1, 202_, shall be subject to redemption prior to their respective maturity dates as a whole or in part on any date, as designated by the City and, absent any such designation, in inverse order of maturities and by lot within a maturity from money provided at the option of the City, in each case on and after August 1, 202_, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

[Mandatory Sinking Fund Redemption

The Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption in part, by lot, prior to their stated maturity date, on each August 1 on and after August 1 20__, at a redemption price equal to 100% of the principal amount thereof called for redemption, plus accrued interest to the redemption date, without premium, as follows:

Date <u>(August 1)</u>	<u>Amount</u>
(maturity)]	

April 7, 2015

Honorable Mayor and Members
of the Marina City Council

Revised

Item No. **11c**

City Council Meeting
of April 7, 2015

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2015-,
AUTHORIZING ISSUANCE OF 2015 GENERAL OBLIGATION REFUNDING
BONDS IN THE PRINCIPAL AMOUNT NOT TO EXCEED NINE MILLION
DOLLARS (\$9,000,000)**

REQUEST:

It is requested that the City Council consider adopting Resolution No. 2015-, authorizing issuance of 2015 General Obligation Refunding Bonds in the principal amount not to exceed nine million dollars (\$9,000,000).

BACKGROUND:

On June 8, 2005, the City issued \$8,000,000 of General Obligation Bonds Election of 2002, Series 2005 to fund construction of a new library facility. These Bonds can now be refunded together at lower interest rates to provide savings to the City taxpayers due to the current low interest rate environment. The bonds will be called as of August 1, 2015 with a true interest cost of the refunding estimated to be 3.17%. The term of the bonds would not be extended by the refunding. The resolution and documents included with this report are necessary to effectuate the refunding.

ANALYSIS:

On June 8, 2005, the City issued \$8,000,000 of General Obligation Bonds Election of 2002, Series 2005 to fund construction of a new library facility. These Bonds can now be refunded together at lower interest rates to provide savings to the City taxpayers due to the current low interest rate environment. The General Obligation Bonds Election of 2002, Series 2005 have an outstanding balance of \$7,885,000 at interest rates ranging from 3.50% to 5.25% and mature on August 1, 2035. Based on current bond market conditions, the City will be able to issue 2015 General Obligation Refunding Bonds at interest rates ranging from 2.00% to 5.00% producing an estimated net present value savings of approximately 12% or \$980,000 and average annual savings of \$90,000 through 2035.

The estimated net present value savings of approximately 12% factoring in all costs associated with the refunding is well above the 3 to 5% savings threshold recommended by the Government Finance Officers Association (GFOA). The Resolution and documents to be considered by the City Council at tonight's meeting are necessary to allow City Staff and the City's consultants to complete the refunding.

BOND DOCUMENTS:

There are several documents in the agenda package related to the G.O. Bond issue for Council consideration and approval:

RESOLUTION 2015 -- – The Authorizing Resolution approves the issuance of the 2015 General Obligation Refunding Bonds and authorizes the distribution of the Preliminary Official Statement.

EXHIBIT 1 – The Draft Preliminary Official Statement (POS) for the issuance of the 2015 General Obligation Refunding Bonds has been prepared by Jones Hall, serving as the City’s Disclosure Counsel. The POS is a document that states the major facts about the City, its current financial and development history, its management system, the bond issue’s purpose, the procedure to redeem the outstanding 2005 bonds, payment of principal and interest, the term of the bonds (still paid off in 2035; no extension of the term as part of the refunding), redemption features, creation of funds for the accounting of the bonds, continuing disclosure requirements, tax exempt opinion, and Constitution and State provisions affecting this bond issue. The POS is the basic source of information to the potential bond buyer and as such it is essential that the information be accurate and complete.

EXHIBIT 2 – The Irrevocable Refunding instructions provide specific direction to the City’s existing paying agent for the General Obligation Bonds Election of 2002, Series 2005 required to redeem (pay-off) the outstanding bonds on August 1, 2015.

EXHIBIT 3 – The Paying Agent Agreement is an agreement between the City and Union Bank regarding its role as the paying agent and transfer agent for the 2015 General Obligation Refunding Bonds. The paying agent is responsible for making semi-annual debt service payments to bondholders.

EXHIBIT 4 - The Bond Purchase Agreement. This an agreement between the City and Stifel, Nicolaus & Company whereby the City agrees to sell the 2015 General Obligation Refunding Bonds to the Underwriter who then sells the bonds to individual investors.

Steps to Complete the Refunding – After tonight’s meeting and approval of the Resolution, the 2015 General Obligation Refunding Bonds will be priced in mid-April and closed in early May and refunded bonds redeemed on August 1, 2015.

Costs and Benefits of the 2015 General Obligation Refunding Bonds

The 2015 General Obligation Refunding Bonds will have an estimated true interest cost of 3.20% and will result in net present value savings of approximately 12% or \$980,000 and average annual savings of \$90,000. This will directly benefit the Marina property owners by lowering the amount of their levy for the remaining term of the bond issue. There are costs involved in this refunding. These costs have been factored into the calculation of net present value savings referenced above. While this would be a current refunding (i.e. Outstanding Bonds are redeemed within 90 days after closing), there is a 2% premium that will be paid to bondholders to call the 2005 bonds in August 2015 as is planned. There are costs associated with the City’s consultant team that has been assembled to complete the refunding. The functions and estimated costs are shown in the table below:

Function	Estimated Costs
Bond/Disclosure Counsel	\$54,500
City Staff Time	\$10,000
City Attorney	\$7,500
Financial Advisor	\$43,000
Rating Agency	\$15,000
Paying Agent	\$2,500
Printer	\$5,000
Verification Agent	\$4,000
Contingency	\$8,500
Underwriter	\$57,000
Bond Insurance	\$35,000
Total	\$242,000

FISCAL IMPACT:

There is no impact on the City or the General Fund from the 2015 General Obligation Refunding Bonds. The benefit will accrue to the Marina property owners from the reduction in annual levy over the remaining term of the bonds, which will be paid off in 2035. In present value, that savings is estimated at approximately \$980,000, including the cost associated with the refunding.

CONCLUSION:

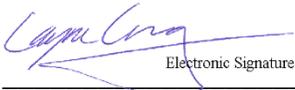
This request is submitted for City Council consideration and possible action.



Electronic Signature

Lauren Lai, CPA
Finance Director
City of Marina

REVIEWED/CONCUR:



Electronic Signature

Layne P. Long
City Manager
City of Marina

Attachments:

Authorizing Resolution

Exhibit 1 – Preliminary Official Statement

Exhibit 2 – Irrevocable Refunding Instructions

Exhibit 3 – Paying Agent Agreement

Exhibit 4 – Bond Purchase Agreement