SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: Finance
Prepared by: Mark Moses
Interim Finance Director

City Manager Approval.

SUBJECT: RESOLUTION APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF A SECOND AMENDMENT TO PROPERTY LEASE, A SECOND AMENDMENT TO SITE AND FACILITY LEASE AND A CONTINUING DISCLOSURE CERTIFICATE, AUTHORIZING THE NEGOTIATION FOR THE SALE OF BONDS PURSUANT TO A BOND PURCHASE AGREEMENT, APPROVING AN OFFICIAL STATEMENT, AND DIRECTING CERTAIN RELATED ACTIONS IN CONNECTION WITH REFUNDING CERTAIN BONDS OF THE SAN RAFAEL JOINT POWERS FINANCING AUTHORITY AND REFINANCING CERTAIN PUBLIC CAPITAL IMPROVEMENTS

RECOMMENDATION: Adopt Resolution authorizing the execution of documents and other actions required to refinance the outstanding 2003 lease revenue bonds (the “2003 Bonds”) issued by the San Rafael Joint Powers Financing Authority (the “Authority”).

BACKGROUND: The City financed the construction of the parking structure (between 3rd and C Street) in 2003 through the issuance of the 2003 Bonds in the original principal amount of $7,605,000 through the Authority. The 2003 Bonds are structured as a general fund lease transaction, but the City first uses the net revenues of the parking fund to make required lease payments, and only then uses the City’s general fund moneys in the event of a shortfall in annual net revenues. This financing structure improved the credit quality of the 2003 Bonds and secured the lowest possible interest rates in 2003. To date, all prior debt service payments have been made from the parking fund and there has been no financial impact to the general fund from the 2003 Bonds. The 2003 Bonds were originally issued for 30 years and have an average coupon of 4.77% and annual debt service of approximately $500,000.

The 2003 Bonds were structured as lease revenue bonds sold through the Authority. As part of the financing structure, the City and Authority executed a site and facility lease, property lease, memorandum of assignment, and trust agreement. Union Bank currently serves as the trustee for the 2003 Bonds and collects the semi-annual debt service payment prior to the October 1 and April 1 payment dates.
The 2003 Bonds were subject to optional redemption starting on April 1, 2010, and therefore can now be redeemed on any date without any redemption premium (i.e., only outstanding principal plus accrued interest would be paid). The City’s financial advisor has worked with staff to analyze and quantify the economic benefits of refinancing the 2003 Bonds.

There is a related item on the San Rafael Joint Powers Financing Authority agenda of June 18, 2012 to authorize actions that support the refinancing of the 2003 bonds.

**ANALYSIS:** City staff has worked with Jones Hall, as bond and disclosure counsel and NHA Advisors, as financial advisor (the City’s bond and disclosure counsel and financial advisor on the original 2003 Bonds) to evaluate financial and structural options for the City to maximize the economic benefit of a refinancing of the 2003 Bonds. Based on these discussions and analysis, the proposed financing structure includes the amendment of the existing financing documents (dated April 1, 2003) to provide the legal framework for lease revenue refunding bonds, series 2012 (the “2012 Bonds”). City staff recommends retaining Union Bank as the trustee on the 2012 Bonds.

The percentage savings estimated from this refinancing is approximately 10%, and will generate $40,000 - $45,000 per year in savings. Bond refinancings of this size that have the potential to generate savings in excess of 5% are good candidates for refinancing. This savings is net of all costs, including the underwriter’s discount of $55,350, and costs of issuance that total $155,000.

In order to meet the requirements of the 2003 Bonds, the 2012 Bonds will refinance all but $5,000 of the outstanding 2003 Bonds. Proceeds of the 2012 Bonds will be used to redeem $6,440,000 (of $6,445,000 outstanding) on July 15, 2012. It is anticipated that the City will call the remaining $5,000 bond on October 1, 2012 from City’s parking revenue fund. Additional proceeds from the 2012 Bonds will be used to fund a debt service reserve fund (anticipated to be applied to the April 1, 2033 final maturity) and to pay related financing costs.

The 2012 Bonds are proposed to be sold through an underwriting firm to be selected by staff based on a proposal process. Final pricing of the 2012 Bonds and funding of the escrow is anticipated to occur in early-to-mid July.

The attached Preliminary Official Statement was prepared by City staff and its financing team. The Preliminary Official Statement must include all facts that would be material to an investor in the 2012 Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the 2012 Bonds.

**FISCAL IMPACT:** Based on current market conditions, the City has the opportunity to refinance the 2003 Bonds and achieve lower interest rates which can produce lower annual debt service payments. Current estimates indicate an annual savings of $40,000-$45,000 per year for a total $720,000+ in savings over the remaining 21 years. This represents approximately 10% in present value savings. Annual debt service savings would begin to be realized in fiscal year 2012-2013 in the Parking Services Fund.

**OPTIONS:**
The City Council can accept, deny, or seek additional information from staff related to the Resolution or any attachments.
RECOMMENDED ACTION: Adopt the resolution authorizing execution of documents and other actions required to refinance the outstanding 2003 lease revenue bonds (the "2003 Bonds") issued by the San Rafael Joint Powers Financing Authority (the "Authority").

ATTACHMENTS:
- Council Resolution
- Second Amendment to Site and Facility Lease
- Second Amendment to Property Lease
- Draft Preliminary Official Statement
- Bond Purchase Agreement
RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN RAFAEL
APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF A SECOND
AMENDMENT TO PROPERTY LEASE, A SECOND AMENDMENT TO SITE
AND FACILITY LEASE AND A CONTINUING DISCLOSURE CERTIFICATE,
AUTHORIZING THE NEGOTIATION FOR THE SALE OF BONDS PERSUANT
TO A BOND PURCHASE AGREEMENT, APPROVING AN OFFICIAL
STATEMENT, AND AND DIRECTING CERTAIN RELATED ACTIONS IN
CONNECTION WITH REFUNDING CERTAIN BONDS OF THE SAN RAFAEL
JOINT POWERS FINANCING AUTHORITY AND REFINANCING CERTAIN
PUBLIC CAPITAL IMPROVEMENTS CONSISTING OF A PARKING GARAGE
THEREBY

WHEREAS, the City of San Rafael (the "City") and the San Rafael Redevelopment
Agency (the "Agency") have entered into a Joint Exercise of Powers Agreement establishing
the San Rafael Joint Powers Financing Authority (the "Authority") for the purpose, among
others, of having the Authority issue its bonds to be used to finance the acquisition,
construction and improvement of certain public capital improvements; and

WHEREAS, for the purpose of raising funds necessary to finance public capital
improvements (consisting of a public parking garage) for the City, the Authority has heretofore
issued its San Rafael Joint Powers Financing Authority Lease Revenue Bonds, Series 2003
(Public Parking Project) (the "2003 Bonds") in the original aggregate principal amount of
$7,605,000; and

WHEREAS, the Authority has determined to issue, pursuant to Article 10 (commencing
with Section 53570) and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of
Division 2 of title 5 of the California Government Code (collectively, the "Refunding Law") and
this First Supplemental Trust Agreement, its Lease Revenue Refunding Bonds, Series 2012
(Public Parking Project) (the "2012 Bonds") in order to refund a portion of its 2003 Bonds to
achieve debt service savings; and

WHEREAS, in order to assist the underwriters of the Bonds in complying with Rule
15c2-12 of the Securities and Exchange Commission, the City will undertake certain continuing
disclosure obligations pursuant to a continuing disclosure agreement to be executed by the City
(the "Continuing Disclosure Agreement"); and

WHEREAS, there has been prepared an Official Statement containing information to be
used in connection with the sale of the Bonds; and

WHEREAS, the City has duly considered such transactions and wishes at this time to
approve certain matters relating to said transactions in the public interest of the City;

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

Section 1. The City Council hereby approves the preparation of, and hereby authorizes
the Mayor, the City Manager or the Assistant City Manager of the City (each, a "Designated
Officer"), each acting alone, to deem final within the meaning of Rule 15c2-12 of the Securities
Exchange Act of 1934 (except for permitted omissions), the preliminary form of the Official Statement describing the Bonds on file with the City Clerk together with such changes or additions to such preliminary forms of Official Statement as the Designated Officer may deem necessary, desirable or appropriate upon consultation with bond counsel. Distribution of a preliminary Official Statement is hereby approved. The City Council hereby authorizes the execution of a final Official Statement by the Designated Officers.

Section 2. The City Council hereby approves the forms of the Second Amendment to Property Lease and the Second Amendment to Site and Facility Lease on file with the City Clerk, with such additions thereto and changes therein as the City Manager of the City or his designee shall deem necessary, desirable or appropriate upon consultation with the bond counsel, the execution of which by the City shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers and all other appropriate officials of the City are hereby authorized and directed to execute, and the City Clerk is hereby authorized to attest, as appropriate, the Second Amendment to Property Lease and the Second Amendment to Site and Facility Lease and such other agreements, documents and certificates as may be necessary or desirable to effectuate the purposes of this resolution and the financing herein authorized, including, without limitation, such other agreements, documents and certificates as may be required by the Second Amendment to Property Lease and the Second Amendment to Site and Facility Lease. The City hereby authorizes the performance by the Authority of its obligations under the Second Amendment to Property Lease and Second Amendment to Site Facility Lease.

Section 3. The City Council hereby approves the Continuing Disclosure Certificate attached to the Official Statement in the form on file with the City Clerk, together with such changes thereto as the City Manager or Assistant City Manager of the City or his designee deems necessary, desirable or appropriate upon consultation with bond and disclosure counsel, the execution of which by the City shall be conclusive proof of the approval thereof. The Designated Officers, each acting alone, are hereby authorized and directed to execute the Continuing Disclosure Certificate, with such changes, insertions and omissions as may be approved by such official executing said documents.

Section 4. The City Council hereby approves the form of the Bond Purchase Agreement on file with the City Clerk, with such additions thereto and changes therein as the City Manager of the City or Assistant City Manager or his designee shall deem necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by the City shall be conclusive evidence of the approval of any such additions or changes; provided that no such addition or change shall increase the amount of Bonds to be in excess of $7,500,000, or shall provide for a true interest cost in excess of 4.00% or an underwriter's discount (exclusive of any original issue discount) of greater than 1.25%. Additionally, the 2012 Bonds shall not be sold if such sale results in net present value savings below 3% of the principal amount of 2003 Bonds refunded. When determining the net present value savings, the 2012 Bond proceeds deposited into a reserve account for the 2012 Bonds shall be considered as an offset to the payment of principal on the 2012 Bonds maturing on April 1, 2033. The Designated Officers, each acting alone, are hereby authorized and directed to execute the Bond Purchase Agreement and to take all actions necessary to fulfill the City's obligations thereunder.

Section 5. The Designated Officers, the City Clerk and any and all other officers of the City are hereby authorized and directed, for and in the name of and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all
documents, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and documents, which they, or any of them, may deem necessary, advisable or appropriate upon consultation with bond and disclosure counsel, in order to consummate the lawful issuance and sale of the Bonds and the consummation of the transactions as described herein, including, without limitation, a continuing disclosure agreement or certificate and such documents, assignments, certificates and agreements as may be required by any of the documents approved herein.

I, ESTHER C. BEIRNE, Clerk of the City of San Rafael, hereby certify that the foregoing resolution was duly and regularly introduced and adopted at a regular meeting of the Council of the City of San Rafael held on the 18th day of June, 2012, by the following vote, to wit:

AYES: COUNCILMEMBERS:

NOES: COUNCILMEMBERS:

ABSENT: COUNCILMEMBERS:

ESTHER C. BEIRNE, City Clerk
SECOND AMENDMENT TO SITE AND FACILITY LEASE

By and between the

CITY OF SAN RAFAEL,
 as Lessor

and the

SAN RAFAEL JOINT POWERS FINANCING AUTHORITY,
 as Lessee

Dated as of July 1, 2012
SECOND AMENDMENT TO SITE AND FACILITY LEASE

This SECOND AMENDMENT TO SITE AND FACILITY LEASE (the “Second Amendment”), dated as of July 1, 2012, is by and between the CITY OF SAN RAFAEL, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “City”), as lessor, and the SAN RAFAEL JOINT POWERS FINANCING AUTHORITY, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), as lessee;

RECEITALS

WHEREAS, the City and the Authority have heretofore entered into a Site and Facility Lease dated as of April 1, 2003 and recorded on April 16, 2003 as Instrument No. 03-42232 in the Office of the Recorder of the County of Marin, as amended by a First Amendment to Site and Facility Lease dated as of September 1, 2005 and recorded on November 28, 2005 as Instrument No. 2005-89742 in the Office of the Recorder of the County of Marin (collectively, the “Existing Site Lease” and, together with this Second Amendment and as it may be further amended, the “Site Lease”), in connection with the Authority’s issuance of its Lease Revenue Bonds, Series 2003 (Public Parking Project) (the "Bonds");

WHEREAS, the Bonds were issued pursuant to a Trust Agreement, dated as of April 1, 2003 (as heretofore amended, the "Existing Trust Agreement"), by and between the Authority and Union Bank, N.A. (formerly known as Union Bank of California, N.A., as trustee (the “Trustee”));

WHEREAS, in connection with the issuance of the Bonds, the City and the Authority also executed a Property Lease dated as of April 1, 2003, as amended by a First Amendment to Property Lease dated as of September 1, 2005 (collectively, the “Existing Property Lease”); and

WHEREAS, pursuant to and in accordance with Section 14.09 of the Existing Property Lease, the Existing Property Lease is being amended and, pursuant to Section 5.03, the Existing Site Lease is being amended to accommodate the amendments to the Existing Property Lease;

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other valuable consideration, the City and the Authority do hereby agree as follows:

AGREEMENT

Section 1. Definitions. The term “Trust Agreement,” when used in the Site Lease shall mean the Existing Trust Agreement, as amended by the First Supplemental Trust Agreement dated as of July 1, 2012 between the Authority and the Trustee, as further amended and supplemented by the Second Supplemental Trust Agreement dated as of July 1, 2012 between the Authority and the Trustee, and as it may be further amended and supplemented. The term “Property Lease,” when used in the Site Lease, shall mean the Existing Property Lease, as supplemented and amended by the Second Amendment to Property Lease dated as of July 1, 2012, between the Authority, as lessor, and the City, as lessee, and as it may be further amended. The term “Site Lease,” when used in the Site Lease, shall mean the Existing Site
Lease, as supplemented and amended by this Second Amendment, and as it may be further amended.

Section 2. Authority. This Second Amendment is being executed pursuant to and in accordance with Section 5.03 of the Site Lease.

Section 3. Effectiveness. Other than as heretofore amended and as amended hereby, the Existing Site Lease shall remain in full force and effect. This Second Amendment shall become effective upon (i) the recordation hereof against the real property described in Exhibit A hereto in the Official Records of the Marin County Recorder and (ii) the issuance of the 2012 Bonds (as defined in the Trust Agreement).
IN WITNESS WHEREOF, the City and the Authority have caused this Second Amendment to Site and Facility Lease to be executed by their respective officers thereunto duly authorized, all as of the date and year first above written.

CITY OF SAN RAFAEL, as lessor

By: ____________________________
   City Manager

Attest:

By: ____________________________
   City Clerk

SAN RAFAEL JOINT POWERS
FINANCING AUTHORITY, as lessee

By: ____________________________
   Treasurer

Attest:

By: ____________________________
   Secretary
EXHIBIT A

[DESCRIPTION OF THE SITE]
SECOND AMENDMENT TO PROPERTY LEASE

by and between

SAN RAFAEL JOINT POWERS FINANCING AUTHORITY,
as Lessor

and the

CITY OF SAN RAFAEL,
as Lessee

Dated as of July 1, 2012
SECOND AMENDMENT TO PROPERTY LEASE

This FIRST AMENDMENT TO PROPERTY LEASE, dated as of July 1, 2012 (the "Second Amendment"), is entered into by and between the SAN RAFAEL JOINT POWERS FINANCING AUTHORITY (the "Authority"), a joint powers authority formed under the laws of the State of California, as lessor, and the CITY OF SAN RAFAEL (the "City"), a charter city and municipal corporation duly organized and existing under the laws and Constitution of the State, as lessee.

RECITALS

WHEREAS, in connection with the issuance of San Rafael Joint Powers Financing Authority Lease Revenue Bonds, Series 2003 (Public Parking Project) (the "2003 Bonds"), the City and the Authority entered into a Property Lease dated as of April 1, 2003 and recorded on April 16, 2003 as Instrument No. 03-42233 in the Office of the Recorder of the County of Marin, as subsequently amended by a First Amendment to Property Lease dated as of September 1, 2005 and recorded on November 28, 2005 as Instrument No. 2005-89743 in the Office of the Recorder of the County of Marin (collectively, the "Existing Property Lease" and, together with this Second Amendment and as may be further amended, the "Property Lease");

WHEREAS, the 2003 Bonds were issued pursuant to the Trust Agreement dated as of April 1, 2003 (as heretofore amended, the "Existing Trust Agreement"), by and between the Authority and Union Bank, N.A. (formerly known as Union Bank of California, N.A.), as trustee (the "Trustee");

WHEREAS, pursuant to the Existing Trust Agreement and the First Supplemental Trust Agreement dated as of July 1, 2012 (the "First Supplemental Trust Agreement" and, together with the Existing Trust Agreement and as it may be further supplemented and amended, the "Trust Agreement"), by and between the Authority and the Trustee, the Authority is issuing its $___________ aggregate principal amount of Lease Revenue Refunding Bonds, Series 2012 (Public Parking Project) (the "2012 Bonds"), as Additional Bonds (as defined in the Existing Trust Agreement);

WHEREAS, in connection with the issuance of such Additional Bonds, it is necessary to amend the Base Rental Payment Schedule attached to the Existing Property Lease to reflect the debt service on 2003 Bonds and such Additional Bonds that are outstanding after the issuance of such Additional Bonds; and

WHEREAS, the City and the Authority are entering into this Second Amendment in order to amend Base Rental Payment Schedule attached to the Existing Property Lease and to make certain other necessary amendments;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

AGREEMENT

Section 1. Additional Definitions. The following definitions are hereby added to the Property Lease.
"2003 Bonds" means the $7,605,000 initial principal amount of San Rafael Joint Powers Financing Authority Lease Revenue Bonds, Series 2003 (Public Parking Project).

"2012 Bonds" means the $ initial principal amount of San Rafael Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2012 (Public Parking Project).

Section 2. Revised Definitions. The following terms, each of which is defined in the Existing Property Lease, are hereby revised as follows:

"Bonds" means, collectively, the 2003 Bonds and the 2012 Bonds, provided that for purposes of Section 3.08(b) of the property Lease, "Bonds" shall refer only to the 2003 Bonds.

"Property Lease" means Property Lease dated as of April 1, 2003 between the Authority, as lessor, and the City, as lessee, and recorded on April 16, 2003 as Instrument No. 03-42233 in the Office of the Recorder of the County of Marin, as subsequently amended by a First Amendment to Property Lease dated as of September 1, 2005 between the Authority, as lessor, and the City, as lessee, and recorded on November 28, 2005 as Instrument No. 2005-89743 in the Office of the Recorder of the County of Marin, as further amended by the Second Amendment to Property Lease dated as of July 1, 2012, between the Authority, as lessor, and the City, as lessee, and as it may be further amended.

"Site Lease" means Site and Facility Lease dated as of April 1, 2003 between the City, as lessor, and the Authority, as lessee, and recorded on April 16, 2003 as Instrument No. 03-42232 in the Office of the Recorder of the County of Marin, as amended by a First Amendment to Site and Facility Lease dated as of September 1, 2005 between the City, as lessor, and the Authority, as lessee and recorded on November 28, 2005 as Instrument No. 2005-89742 in the Office of the Recorder of the County of Marin, as further amended by the Second Amendment to Site and Facility Lease dated as of July 1, 2012 between the City, as lessor, and the Authority, as lessee, and as it may be further amended.

"Trust Agreement" means the Trust Agreement dated as of April 1, 2003, by and between the Authority and the Trustee, as amended by the First Amendment to Trust Agreement dated as of July 1, 2012, between the Authority and the Trustee, as further amended and supplemented by the First Supplemental Trust Agreement dated as of July 1, 2012 between the Authority and the Trustee, and as it may be further amended and supplemented.

Section 3. Base Rental Payments and Additional Payments. The City hereby agrees to make all Base Rental payments and Additional Payments with respect to all Outstanding Bonds, as set forth on the Base Rental Payment Schedule attached hereto as Exhibit B, which Base Rental Payment Schedule shall replace the Base Rental Payment Schedule attached to the Existing Property Lease as Exhibit B. The Authority hereby finds and determines that the Base Rental payments attached hereto as Exhibit B meet the requirements of Section 2.14 of the Trust Agreement and also comply with the provisions of Section 14.09 of the Property Lease.

Section 4. Continuing Disclosure. The City hereby covenants and agrees to comply with and carry out all of the provisions of the Continuing Disclosure Certificate (the "Continuing Disclosure Agreement") as originally executed as of the date of issuance and delivery of the 2012 Bonds, and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of the Property Lease, failure by the City to comply with the Continuing Disclosure Agreement shall not constitute a default hereunder or under the
Indenture; provided, however, that any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or any Owner or beneficial owner of the Series 2006A Bonds may take such action as may be necessary and appropriate to compel performance by the City of its obligations under this Section 3, including seeking mandamus or specific performance by court order. All capitalized terms used but not defined in this Section 3 shall have the meanings given in the Continuing Disclosure Agreement.

Section 5. Effectiveness. Other than as heretofore amended and as amended hereby, the Existing Property Lease shall remain in full force and effect. This Second Amendment shall become effective upon (i) the recordation hereof against the real property described in Exhibit A hereto in the Official Records of the Marin County Recorder and (ii) the issuance of the 2012 Bonds (as defined in the Trust Agreement).
IN WITNESS WHEREOF, the City and the Authority have caused this Second Amendment to Property Lease to be executed by their respective officers thereunto duly authorized, all as of the date and year first above written.

SAN RAFAEL JOINT POWERS FINANCING AUTHORITY, as lessor

By: ____________________________
Treasurer

Attest:

By: ____________________________
Secretary

CITY OF SAN RAFAEL, as lessee

By: ____________________________
City Manager

Attest:

By: ____________________________
City Clerk
EXHIBIT A

[DESCRIPTION OF THE SITE]
EXHIBIT B

BASE RENTAL PAYMENT SCHEDULE

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6-1-12 Jones Hall Draft

PRELIMINARY OFFICIAL STATEMENT DATED ____________, 2012

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: [to come]

See “RATINGS” herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, the interest represented by 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 although for the purpose of computing the alternative minimum tax imposed on certain 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 “TAX MATTERS.”

San Rafael Joint Powers Financing Authority
Lease Revenue Refunding Bonds, Series 2012
(Public Parking Project)

Dated: Date of Delivery

$___________*

Due: April 1, as shown below

The Lease Revenue Refunding Bonds, Series 2012 (Public Parking Project) (the “Bonds”) are being issued by the San Rafael Joint Powers Financing Authority (the “Authority”) pursuant to a Trust Agreement dated as of April 1, 2003, by and between the Authority and Union Bank, N.A., as trustee, as amended and supplemented by a First Amendment to Trust Agreement, dated as of July 1, 2012 and a First Supplemental Trust Agreement, dated as of July 1, 2012 (as amended and supplemented, the “Trust Agreement”). The Bonds are special obligations of the Authority payable from Revenues (as defined herein) consisting primarily of certain Base Rental payments payable by the City of San Rafael (the “City”) and received by the Trustee, as assignee of the Authority, under a Property Lease dated as of April 1, 2003 by and between the Authority, as Lessor and the City, as Lessee, as amended by a First Amendment to Property Lease, dated as of September 1, 2005 and a Second Amendment to Property Lease, dated as of July 1, 2012 (as amended, the “Property Lease”). The receipt of Revenues is subject to certain risks and limitations described herein.

The Bonds are being executed and delivered to provide funds to (i) defease and redeem a portion of the Authority’s outstanding Lease Revenue Bonds, Series 2003 (Public Parking Project), (ii) fund a debt service reserve fund for the Bonds and (iii) pay costs of issuing the Bonds. See “REFUNDING PLAN.”

The City has covenanted in the Lease to make the Base Rental payments for use of certain real property (the “Leased Property” described herein), to include annual Base Rental payments in its annual budgets and to make the necessary annual appropriations for all such Base Rental payments. The Base Rental payments are subject to abatement under certain circumstances, as described herein. The Bonds and the Base Rental payments are not a debt of the City. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds will be initially delivered only in book-entry form, registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository of the Bonds. Interest and principal on the Bonds are payable by the Trustee to DTC, which remits such payments to its Participants for subsequent distribution to the beneficial owners of the Bonds. See “APPENDIX F – Book-Entry Only System” and “THE BONDS.”

The Bonds are subject to redemption prior to maturity. See “THE BONDS – Redemption.”

The obligation of the City to make the Base Rental payments does not constitute a debt of the City or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation.

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. See “RISK FACTORS” for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

*Preliminary; subject to change.
Maturity Schedule

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$\text{________} \text{________} \%$ Term Bonds due April 1, 20\_\_; Price: \text{________}

The Bonds were awarded pursuant to a competitive sale on \text{________}, 2012, as set forth in the Official Notice of Sale relating to the Bonds. The Bonds are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall is also serving as Disclosure Counsel to the City. In addition, certain legal matters will be passed upon for the City and the Authority by the City Attorney. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York on or about \text{________}, 2012.

Dated: \text{________}, 2012

* Preliminary; subject to change.
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 in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City or the Authority, in any press release and in any oral statement made with the approval of an authorized officer of the City or the Authority, 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.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the City, the Authority or the Underwriter to give any information or to make any representations 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 any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, 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. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

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

Official Statement Speaks Only as of its Date. The information and expressions of opinions in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority since the date hereof.

Document Summaries. All summaries of the Trust Agreement, the Lease (as such terms are defined in this Official Statement) or other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

No Registration or Qualification. THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

City Website. The City maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision about the Bonds.
CITY OF SAN RAFAEL

CITY COUNCIL

Gary O. Phillips, Mayor
Damon Connolly, Councilmember
Barbara Heller, Councilmember
Marc Levine, Councilmember
Andrew McCullough, Councilmember

CITY OFFICIALS

Nancy Mackie, City Manager
Jim Schutz, Assistant City Manager
Mark Moses, Interim Finance Director
Vince Guarino, Parking Services Manager
Esther C. Beirne, City Clerk
Rob Epstein, City Attorney

BOND RELATED SERVICES

Financial Advisor
NHA Advisors, LLC
San Rafael, California

Bond Counsel and Disclosure Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

Trustee
Union Bank of California, N.A.
San Francisco, California
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APPENDIX A - Summary of Principal Legal Documents
APPENDIX B - City of San Rafael General Information
APPENDIX C - Audited Financial Statements of the City for the Fiscal Year Ended June 30, 2011
APPENDIX D - Proposed Form of Bond Counsel Opinion
APPENDIX E - Form of Continuing Disclosure Certificate
OFFICIAL STATEMENT

San Rafael Joint Powers Financing Authority
Lease Revenue Refunding Bonds, Series 2012
(Public Parking Project)

This Official Statement (which includes the cover page and Appendices) (the “Official Statement”) provides certain information concerning the execution, sale and delivery of the San Rafael Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2012 (Public Parking Project) (the “Bonds”).

INTRODUCTION

This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in “APPENDIX A – Summary of Principal Legal Documents.”

Issuance of Bonds. The Bonds are being issued by the San Rafael Joint Powers Financing Authority (the “Authority”). The Bonds will be executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2003, by and between Union Bank, N.A., as trustee (the “Trustee”) and the Authority, as amended and supplemented by a First Amendment to Trust Agreement, dated as of July 1, 2012 and a First Supplemental Trust Agreement, dated as of July 1, 2012 (as amended and supplemented, the “Trust Agreement”). The Bonds are issued under Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California (the “Act”), and are a limited obligation of the Authority.

Use of Proceeds. The net proceeds of the sale of the Bonds will be used to (i) defease and redeem a portion of the Authority’s outstanding Lease Revenue Bonds, Series 2003 (Public Parking Project) (the “Prior Bonds”), which were issued to finance a 400-space public parking garage and other related work (the "Parking Garage"), (ii) fund a debt service reserve fund for the Bonds and (iii) pay costs of issuing the Bonds. See “REFUNDING PLAN” and “THE LEASED PROPERTY.”

Payment. The Bonds are being issued in denominations of $5,000 or any integral multiple thereof. The Bonds will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest will accrue on the principal components of each Bond at the applicable interest rate (as set forth on the inside cover hereof) from the Dated Date until its date of maturity or prior redemption, with interest becoming payable on each April 1 and October 1, commencing April 1, 2013.

* Preliminary; subject to change.
Redemption. The Bonds are subject to optional and mandatory redemption prior to their maturity under certain conditions as described in this Official Statement. See "THE BONDS – Redemption."

DTC; Book-Entry System. The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC") and ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds and transfers and exchanges of Bonds will be conducted in accordance with DTC procedures. See "APPENDIX F — Book-Entry System."

Security for the Bonds. The Bonds are special limited obligations of the Authority payable from and secured by Revenues (defined herein) consisting primarily of payments to be made by the City of San Rafael (the "City") to the Authority as Base Rental payments (the "Base Rental") pursuant a Property Lease dated as of April 1, 2003, by and between the Authority, as lessor, and the City, as lessee, as amended by a First Amendment to Property Lease, dated as of September 1, 2005 and a Second Amendment to Property Lease, dated as of July 1, 2012 (as amended, the "Property Lease"). Base Rental payments are to be made by the City for the right to the use of certain real property and improvements, initially the Parking Garage (the "Leased Property"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." In order to facilitate the transfer contemplated by the Lease, the City will lease the Leased Property to the Authority pursuant to a Site and Facility Lease, dated as of April 1, 2003, as amended (the "Site Lease"), by and between the City, as lessor and the Authority, as lessee. See "THE IMPROVEMENTS."

Reserve Fund. Under the Trust Agreement, a reserve fund is established which may be applied toward payment of the Bonds. The reserve fund will initially be funded with a deposit of Bond proceeds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund."

Base Rental Payments. The City covenants under the Lease to take such action as may be necessary to include annual Base Rental payments due under the Lease in the operating budget for each Fiscal Year and to make the necessary annual appropriations therefor, subject to abatement as described herein. The Bonds and the Base Rental payments are not a debt of the City.

Base Rental payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s right to use and occupancy of the Leased Property or any portion thereof. Abatement of Base Rental payments under the Lease, to the extent payment is not made from alternative sources as described herein, would result in all owners of the Bonds receiving less than the full amount of principal and interest represented by the Bonds. To the extent proceeds of an eminent domain or insurance award are available to pay Base Rental payments, or to the extent that moneys are available in the Lease Payment Fund or the Reserve Fund, Base Rental payments (or a portion thereof) may be made during periods of abatement.

The obligation of the City to make the Base Rental payments does not constitute a debt of the City or the State of California (the "State") or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.
**Risk Factors.** Investment in the Bonds has certain risks arising from circumstances which could have an adverse impact on the ability of the City to pay the Base Rental payments. See "RISK FACTORS."

**The City.** The City is located 17 miles north of San Francisco in Marin County, California, and is the County seat. The City currently has a land area of approximately 17 square miles and an estimated January 1, 2012 population of approximately 58,305. The City was incorporated in 1874 and became a charter city in 1913. For further general and demographic information regarding the City, see "APPENDIX B – City of San Rafael General Information."

**Miscellaneous.** There follows in this Official Statement, which includes the cover page and Appendices, a brief description of the Bonds, the City, the Trust Agreement, the Site Lease, the Lease and other documents, risk factors and certain other information relevant to the issuance of the Bonds. All references herein to the Trust Agreement, Lease and other documents, agreements and statutes referred to in this Official Statement, and the description of the Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute. A summary of certain provisions of the Trust Agreement and Lease is included in APPENDIX A. Audited financial statements of the City for the fiscal year ended June 30, 2011 are included in APPENDIX C. The information set forth in this Official Statement and in the Appendices has been furnished by the City and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Trust Agreement or the Lease shall have the meanings set forth therein, some of which are summarized in "APPENDIX A – Summary of Principal Legal Documents."

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.
REFUNDING PLAN

Estimated Sources and Uses of Funds

The Trustee will receive the proceeds from the sale of the Bonds, upon delivery of the Bonds to the purchasers thereof, and is expected to use such proceeds as set forth in the following table.

**ESTIMATED SOURCES:**

- Par Amount of Bonds
- Net Original Issue Premium/Original Issue Discount

  \[ \text{Total Sources:} \] $\]

**ESTIMATED USES:**

- Deposit to Reserve Fund
- Deposit to Escrow Fund
- Underwriter's Discount
- Deposit to Costs of Issuance Fund \(^{(1)}\)

  \[ \text{Total Sources:} \] $\]

\(^{(1)}\) Includes legal, financial advisory, rating agency and printing costs, and other miscellaneous costs of issuance.

Defeasance and Redemption of the Prior Bonds

A portion of the proceeds of the sale of the Bonds, together with available funds held under the Trust Agreement will be deposited in an escrow account (the "Refunding Fund") held by the Trustee pursuant to the Trust Agreement, and applied to defease and redeem a portion of the outstanding Prior Bonds; specifically, all of the Prior Bonds will be defeased and redeemed except the Prior Bonds maturing on April 1, 2013. Amounts in the escrow fund will be sufficient, without reinvestment, to fully pay the Prior Bonds to be redeemed (the "Refunded Prior Bonds") on \[ \text{_______} \], at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date, without premium. Upon such irrevocable deposit with the Trustee and in accordance with the Trust Agreement, the Refunded Prior Bonds will be legally defeased and will no longer be entitled to the benefits of, or be secured by, the Trust Agreement.

Amounts deposited in the Refunding Fund are not in any way available to pay debt service on the Bonds.

THE LEASED PROPERTY

Description

Proceeds of the Prior Bonds were used to provide money for the design and construction of the Parking Garage, as described below, in the downtown area of the City. The Parking Garage and the real property on which it sits are the Leased Property under the Lease.
The Parking Garage is a 400-space public parking facility in the City's downtown area on the north side of Third Street from C to B Streets, not including the buildings on the corner of Third and B Streets. Entry and exit is provided to both C and B Streets. The land on which the Parking Garage sits is approximately 35,017 square feet. The site is bordered by retail and office buildings facing Fourth Street on the north, Third Street, office and retail uses on the south, B Street, retail uses and the A Street parking garage on the east, and C Street and retail on the west. The overall character of the area is urban, and the site is in the center of the downtown area of the City.

The Parking Garage has five levels of parking and has been designed to have the look of an office building. Overall, the height of the structure from ground level on C and Third Streets to the top of the fifth level is approximately 50 feet, while the elevator housing on the northwest corner (treated as a tower element) and other design elements are 60 feet above street level. The solid portions of the exterior walls are designed to cover the parking deck ramps and metal frames with the appearance of window frames are planned to be used in the open portions of the exterior walls.

Construction of the Parking Garage was completed in December 2004.

Acquisition and construction of the garage cost approximately $9,750,000, including the site acquisition, construction, soft costs and contingencies. Proceeds of the Bonds provided approximately $6,650,000 of such cost, and the remainder was provided by the San Rafael Redevelopment Agency.

The Parking Garage meets all 2001 California building codes including those relating to seismic requirements.

According to FEMA maps, the Parking Garage lies outside the 500 year flood plain as defined by FEMA.

**Substitution of the Leased Property**

Whenever the City determines that the annual fair rental value of a proposed Substitute Leased Property is at least equal to the maximum annual Base Rental payments and Additional Rental payments yet unpaid under the Lease and that the Substitute Leased Property is complete and is available for beneficial use and occupancy by the City, the City may amend the Lease to substitute such Substitute Leased Property for all or a portion of the Leased Property upon compliance with all of the conditions set forth in the Lease. After a substitution, all or a portion of the Leased Property originally leased shall be released from the leasehold, as appropriate. The Authority and the City shall also make any amendments needed to be made to the Lease, and shall enter into any necessary site or ground leases in connection with such substitution. Such substitution and amendments may be made without the consent of Bondowners.

The Lease provides that no substitution shall take place until the City delivers to the Authority and the Trustee the following:

(a) A certificate of the City based (with respect to clauses (i) and (ii) below) on an appraisal (which shall be prepared by an MAI appraiser selected by the City and who may be an employee of the City) stating that: (i) the annual fair rental value of the Substitute Leased Property is no less than the maximum annual Base Rental and
Additional Rental remaining unpaid hereunder at the time of Substitution; (ii) the remaining useful life of such Substitute Leased Property is at least equal to the remaining term hereof; and (iii) the City will, at the time of the Substitution, have beneficial use and occupancy of the Substitute Leased Property;

(b) An Opinion of Bond Counsel to the effect that the amendment hereto has been duly authorized, executed and delivered and the Lease as so amended represents a valid and binding obligation of the City and the Authority and that the Substitution will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State of California personal income tax;

(c) The City shall cause to be recorded in the Office of the Marin County Recorder an executed amendment to the Property Lease containing an amended Exhibit A (property description), or a memorandum reflecting such amendment to Exhibit A;

(d) A CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Substitution insuring the City's leasehold interest in the Substitute Leased Property hereunder, together with an endorsement thereto making such policy payable to the Trustee for the benefit of the Owners, and also together with an opinion of counsel to the City to the effect that the exceptions, if any, contained in such policy do not interfere with the beneficial use and occupancy of the Substitute Leased Property by the City; and

(e) Written notice of such Substitution shall be given by the City to any rating agency then rating the Bonds.

(f) The City shall have received the prior written approval of the Insurer to such Substitution.

Removal of Leased Property

The City may, at its option, at any time and from time to time during the term of the Lease remove from the Lease any portion of the Site or the Improvements; provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such removal:

(a) No event of default has occurred and is continuing under the Lease;

(b) The City shall file with the Authority and the Trustee an amended Exhibit A to the Lease which deletes the legal description of such Site or Improvements;

(c) The City shall cause to be recorded in the Office of the Marin County Recorder an executed amendment to the Lease containing an amended Exhibit A (property description), or a memorandum reflecting such amendment to Exhibit A;

(d) The City shall cause to be filed with the Trustee an Opinion of Bond Counsel substantially to the effect that such removal will not affect the obligation of the
City to continue to pay Base Rental payments in the amounts and at the times and in the manner required by the Lease;

(e) The City shall file with the Authority and the Trustee an appraisal (which shall be prepared by an MAI appraiser selected by the City and who may be an employee of the City) stating that the annual fair rental value of the remaining Leased Property, taken into consideration the removal of the applicable portion of the Leased Property, is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the Lease at the time of such removal; and

(f) The City shall have received a letter from each rating agency then rating the Bonds to the effect that such removal will not reduce the then current rating on the Bonds.

(g) The City shall have received the prior written approval of the Insurer to such removal.

See “RISK FACTORS - Substitution and Removal of the Leased Property” for a discussion of certain risk factors related to the City’s right to substitution and removal of the Leased Property.

THE BONDS

General

The Bonds will be executed and delivered in principal amounts of $5,000 or integral multiples thereof. Interest represented by each Bond will accrue on the principal components represented by such Bond at the applicable interest rate from the Dated Date until its date of maturity or prior prepayment, with interest becoming payable on each April 1 and October 1 (each, an “Interest Payment Date”), commencing April 1, 2013.

Interest evidenced by each Bond will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Registration, Transfers and Exchanges

The Bonds will be executed and delivered as fully registered Bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations described above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined below). Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Trust Agreement. See “APPENDIX F - Book-Entry System.”
Redemption

Optional Redemption*. The Bonds maturing on or after April 1, 2023 are subject to optional redemption prior to maturity on or after April 1, 2022 at the option of the Authority, as a whole on any date, as is set forth in a Request of the Authority, or in part on any date, as is set forth in a Request of Authority, from such maturities as are selected by the Authority, from amounts deposited with the Trustee by the Authority from any funds available therefor, at a redemption price equal to the principal amount of Bonds to be redeemed plus accrued but unpaid interest to the redemption date, without premium.

Mandatory Redemption from Net Proceeds of Insurance or Eminent Domain. The Bonds are also subject to mandatory redemption, as a whole, or in part by lot within any maturity if less than all of the Bonds of such maturity are to be redeemed, from proceeds of insurance or proceeds of eminent domain proceedings, upon the terms and conditions of, and as provided for in, the Lease and the Trust Agreement, at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium.

Sinking Fund Redemption. The Term Bonds maturing on April 1, _____ are subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on April 1, _____ and on each April 1 thereafter to and including April 1, _____ from money on hand in the Principal Fund at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium. The principal amount of such Term Bonds to be redeemed and the dates therefor shall be as set forth in the following schedule:

<table>
<thead>
<tr>
<th>Redemption Date</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(April 1)</td>
<td>(maturity)</td>
</tr>
</tbody>
</table>

Notwithstanding the foregoing provisions of the paragraph above, in the event that some but not all of the Term Bonds have been redeemed pursuant to any of the provisions of the Trust Agreement, the aggregate principal amount of such Term Bonds to be prepaid in each year thereafter pursuant to this paragraph will be adjusted on a proportionate basis.

Selection of Bonds for Redemption. For purposes of selecting Bonds for redemption, Bonds shall be deemed to be composed of $5,000 portions or any integral multiple thereof. Whenever less than all the Outstanding Bonds maturing on any one date are called for redemption pursuant to mandatory redemption from proceeds of eminent domain or insurance at any one time, the Trustee shall select the Bonds or portions thereof to be redeemed from the Outstanding Bonds maturing on such date not previously selected for redemption, by lot in any manner which the Trustee deems appropriate. If less than all the Outstanding Bonds are called for redemption mandatory redemption from proceeds of eminent domain or insurance at any one time, the Authority shall specify to the Trustee a principal amount in each maturity to be redeemed which, to the extent practicable, results in approximately equal annual debt service on the Bonds Outstanding following such redemption. If less than all Outstanding Bonds are called for redemption mandatory redemption from proceeds of eminent domain or insurance at

* Preliminary; subject to change.
any one time, the Authority shall designate the maturity or maturities of the Bonds to be redeemed.

Notice of Redemption. When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee will give notice of the prepayment of the Bonds on behalf and at the expense of the City. Such notice shall be mailed by first class mail, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to (i) the respective Owners of Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee, (ii) two or more Information Services and (iii) the Securities Depositories. Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses and telephone number or numbers of the Trustee), the CUSIP number (if any) of the maturity or maturities, the interest rate and maturity date of each Bond to be redeemed, and, if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

The Authority shall have the right to rescind any optional redemption or mandatory redemption from proceeds of eminent domain or insurance by written notice to the Trustee on or prior to the date fixed for redemption and each such notice of optional redemption or mandatory redemption from proceeds of eminent domain or insurance shall state that it is subject to rescission.

Failure by the Trustee to give notice to any one or more of the Information Services or Securities Depositories or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Bondowner to receive any redemption notice mailed to such Bondowner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and maturity.

Effect of Redemption. When notice of redemption has been duly given as aforesaid, and moneys for payment of the redemption price are deposited with the Trustee, the Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue, said Bonds
shall cease to be entitled to any lien, benefit or security under the Trust Agreement, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds paid at maturity or prepaid prior to maturity pursuant to the provisions of the Trust Agreement will be cancelled upon surrender thereof and destroyed in accordance with the Trustee's retention policy then in effect.
LEASE PAYMENT SCHEDULE

Following is the annual schedule of Base Rental payments due with respect to the Bonds (assuming no optional prepayment of the Bonds).

<table>
<thead>
<tr>
<th>Year Ending April 1</th>
<th>Principal Component</th>
<th>Interest Component</th>
<th>Annual Total</th>
</tr>
</thead>
</table>

Total:
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Authority is authorized to issue the Bonds under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California (the “Act”).

The Bonds are special obligations of the Authority payable only from Revenues, consisting primarily of the Base Rental payments to be made by the City to the Authority pursuant to the Lease for the right to the use of the Leased Property, and not out of any other fund or money of the Authority. The Bonds are not a debt of the City, the Authority (except to the limited extent described in this Official Statement), the State or any of its political subdivisions, and neither the City, the Authority (except to the limited extent described in this Official Statement), the State nor any of its political subdivisions is liable therefor. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limit or restriction.

Revenues

The principal of, premium (if any) and interest on the Bonds are payable solely from Revenues described in the Trust Agreement consisting primarily of payments to be made by the City to the Authority under the Lease. “Revenues” are defined as proceeds of the Bonds, if any, deposited in the Interest Fund, the Capitalized Interest Account and the Reserve Fund, the Base Rentals set forth in Exhibit B to the Lease which is received by the Trustee for the benefit of the Owners of the Bonds, other amounts received by the Trustee for the benefit of the Owners of the Bonds, and all other revenues, proceeds, charges, income, rents, receipts, profits and benefits derived by the Authority as lessor of the Leased Property under the Lease or otherwise from the use and operation of the Leased Property or arising out of the Leased Property (other than Additional Rental) and payable to the Trustee under the terms hereof including interest or profits from the investment of money in any fund or account created under the Trust Agreement (other than the Rebate Fund) which by the terms hereof, are required to be deposited in the Revenue Fund, the Capitalized Interest Account or the Reserve Fund, any contributions from whatever source, and all rentals received by the Authority as lessor of the Leased Property from any additions or extensions of the Leased Property acquired or constructed after the date of the Lease.

Base Rental Payments

For the right to the use and occupancy of the Leased Property, the Lease requires the City to make Base Rental payments. Scheduled Base Rental payments relating to the Bonds are set forth above under the heading “LEASE PAYMENT SCHEDULE.” Base Rental payments shall be payable commencing on March 15, 2013, and on each March 15 and September 15 thereafter (each, a “Base Rental Payment Date”) during the term of the Lease. Base Rental payments shall be for the use and occupancy of the Leased Property for the Lease Year in which such March 15 and September 15 occurs, provided that the Base Rental payments paid on any March 15 or September 15 shall only be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. The Base Rental payments shall be abated in whole or in part during any period in which by reason of material damage to or destruction of the Site, or condemnation of or defects in the title of the
Site, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, or the City is otherwise not able to use or enjoy the benefit of the Improvements. See "Abatement" below.

The obligation of the City to make the Base Rental payments does not constitute a debt of the City or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

Under the terms of the Trust Agreement, the Lease and the rights of the Authority thereunder are assigned to the Trustee, and, accordingly the City agrees to make all Base Rental payments due the Lease directly to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach hereof or otherwise) that the City may from time to time have against the Authority.

Additional Rental Payments

The City is obligated under the Lease to pay when due, during the term of the Lease, in addition to the Base Rental payments, all costs and expenses incurred by the Authority to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), indemnification and annual compensation due to the Trustee and all of its reasonable costs payable as a result of the performance of and compliance with its duties under the Trust Agreement, and all costs and expenses of attorneys, auditors, engineers and accountants (the "Additional Rental Payments"). Such costs and expenses shall be payable as additional amounts of rental in consideration of the right of the City to the use and occupancy of the Leased Property. Additional Rental Payments are not pledged to the payment of debt service on the Bonds.

Covenant to Appropriate Funds for Base Rental Payments or Additional Rental Payments

The City has covenanted in the Lease to take such action as may be necessary to include all Base Rental payments and Additional Rental Payments in its annual budgets and to make necessary annual appropriations for all such rental payments. Such covenants on the part of the City shall be deemed to be and shall be construed to be duties imposed by law and by the Charter of the City and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law and by the Charter of the City in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City.

Availability of Parking Services Fund of the City

In addition to the obligation of the City to budget and appropriate funds for all rental payments due under the Lease from the general funds of the City, the City agrees in the Lease that, prior to using its General Fund to make rental payments due under the Lease, the City will first use unencumbered amounts on deposit in its Parking Services Fund to make such payments, including during any period of abatement. See "CITY FINANCES – Parking Services Fund." Such use of the Parking Services Fund shall in no way relieve the City of its obligation to use amounts on deposit in its General Fund or other available moneys to make rental payments.
Abatement

Base Rental payments are to be paid by the City in each rental period for and in consideration of the right to use and occupy the Leased Property during each such period. The amount of Base Rental payments shall be abated during any period in which by reason of material damage to or destruction of the Leased Property, or condemnation of or defects in the title of the Leased Property, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, or the City is otherwise not able to use or enjoy the benefit of the Improvements, and the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease by virtue of any such interference or lack of use and the Lease shall continue in full force and effect. Abatement shall not be applicable to the extent of amounts available to the City from the Capitalized Interest Account, the Reserve Fund and the Surplus Revenue Fund (each as defined in the Trust Agreement). During any period of abatement, the Authority shall use the proceeds of rental interruption insurance maintained pursuant to the Lease, moneys on deposit in the Reserve Fund maintained under the Trust Agreement to make debt service payments on the Bonds, and, the City, to the extent available, shall use unencumbered moneys in its Parking Services Fund (described above) to pay the Base Rental payments and other amounts due under the Lease.

The amount of abatement shall be in that proportion which the value of that portion of the Leased Property rendered unusable bears to the value of the whole of the Leased Property. The City shall calculate such abatement and shall provide the Authority and the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement shall continue for the period commencing with the date of such damage or destruction and ending with the substantial completion of the work of repair or replacement of the Leased Property so damaged or destroyed.

Action on Default

Should the City default under the Lease, the Trustee, as assignee of the Authority under the Lease, may exercise any and all remedies available pursuant to law or granted pursuant to the Lease; provided, however, that notwithstanding anything in the Lease or in the Trust Agreement to the contrary, there is no right under any circumstances to accelerate the Base Rental payments or otherwise declare any Base Rental payments not then in default to be immediately due and payable. The Authority and the Trustee (as assignee of the Authority) may terminate the Lease and re-lease all or any portion of the Leased Property. See "RISK FACTORS - Limited Recourse on Default" herein.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Lease and the Trust Agreement, see “APPENDIX A – Summary of Principal Legal Documents.”

Reserve Fund

A reserve fund (the “Reserve Fund”) is established pursuant to the Trust Agreement and will be held by the Trustee in trust for the benefit of the Owners of the Bonds. The Reserve Fund is required to be maintained in the amount of the Reserve Requirement, which is defined to be an amount equal to the lesser of (i) Maximum Annual Debt Service, (ii) 125% of average Annual Debt Service, and (iii) 10% of the total of the net proceeds of the Bonds. On or before each Interest Payment Date, after making all deposits required to pay debt service on the
Bonds, the Trustee shall deposit in the Reserve Fund such amounts as may be necessary to maintain on deposit in the Reserve Fund an amount equal to the Reserve Fund Requirement.

Upon issuance of the Bonds, the Reserve Requirement will be met through the deposit of Bond proceeds in the 2012 Reserve Account of the Reserve Fund in the amount of $___________. The Trustee currently holds a surety bond in the Reserve Fund for the benefit of the Prior Bonds; the surety bond will be discharged following (i) defeasance and redemption of the Refunded Prior Bonds and (ii) payment by the Authority of the Prior Bonds maturing on April 1, 2013.

Moneys in (or available to) the Reserve Fund shall be applied solely for the purpose of paying the interest on the Bonds as the same shall become due and payable, including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Trust Agreement, or for the purpose of paying the principal of the Bonds as the same become due (in both instances, however, only to the extent that there are insufficient moneys available for such purposes in the Interest Fund or the Principal Fund). Any moneys in excess of the Reserve Fund Requirement in the Reserve Fund shall, on or before any April 1 occurring while any Bonds are Outstanding, be transferred to the Rebate Fund or the Revenue Fund (or the Capitalized Interest Account if such transfer occurs on or prior to October 1, 2005), as directed by a Designated Officer of the Authority. For purposes of determining the amount or existence of any such excess, the Trustee shall cause the investments in the Reserve Fund to be valued at their Value as of the Business Day immediately preceding the applicable April 1. To the extent that amounts are held in the Reserve Fund at the time of the final payment of debt service due on the Bonds, such amounts may be used to pay, in whole or in part, such final payment.

Notwithstanding anything herein to the contrary, at the option of the Authority, amounts required to be held in the Reserve Fund may be substituted, in whole or in part, by the deposit of a Credit Facility with the Trustee; provided that with respect to any such substitution, (i) such substitution shall not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Bonds (and the Authority shall notify each Rating Agency prior to making any such substitution), and (ii) the Trustee shall receive prior to any such substitution becoming effective an Opinion of Counsel stating that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Amounts on deposit in the Reserve Fund for which a Credit Facility has been substituted shall be released to or at the direction of the City.

In the event at any time there is a combination of cash and a Credit Facility on deposit in the Reserve Fund, the Trustee shall withdraw such cash in full prior to drawing on the Credit Facility and, if and to the extent the Credit Facility has been drawn upon, the Trustee shall reimburse the amount of such draws with any applicable interest thereon prior to making any cash deposits into the Reserve Fund.

Pursuant to the Trust Agreement, moneys held by the Trustee in the Reserve Fund may be invested in Permitted Investments maturing the earlier of the maturity date of the Bonds or five years, unless such moneys will be needed sooner for the payment of principal of or interest on the Bonds or such money is invested pursuant to clause (vii) of the definition of Permitted Investments and, pursuant to such investment, is available as needed without penalty to pay debt service on the Bonds, when due.
Insurance

The City agrees in the Lease that for the term of such Lease it will maintain insurance with respect to the Leased Property against the risks and in the amounts described in the following paragraphs.

Public Liability and Property Damage Insurance. The City shall maintain or cause to be maintained, throughout the term of the Lease, general liability insurance naming the Authority, its members, officers, agents and employees, the Trustee and the City and its officers, agents and employees as insured parties. Said policy or policies shall insure said parties against liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Said policy or policies shall provide coverage in the minimum amount of $5,000,000 combined single limit for bodily and personal injury, death and property damage per occurrence.

Fire and Extended Coverage Insurance. The City shall maintain or cause to be maintained, throughout the term of the Lease, fire and lightning (i.e., property) insurance (with an extended coverage endorsement and with a vandalism and malicious mischief endorsement) on all structures constituting any part of the Leased Property in an amount equal to the lesser of (i) 100% of the replacement cost of such structures (less a deductible amount of not more than $1,000,000) or (ii) an amount equal to the then principal amount of the Outstanding Bonds. Said extended coverage endorsement shall, as nearly as possible, cover loss or damage by such events as explosion, windstorm, hail, riot, civil commotion, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such endorsement, if such coverage is commercially available in reasonable amounts at reasonable cost on the open market from reputable insurance companies.

Earthquake Insurance. Throughout the term of the Lease, the City is required to maintain, or cause to be maintained, earthquake insurance with respect to the Leased Property unless, based upon the written recommendation of the City's Risk Manager filed by the City with the Trustee, it is not obtainable in reasonable amounts at reasonable cost on the open market from reputable insurance companies. Upon delivery of the Bonds, the City will not provide earthquake insurance.

Self-Insurance. The City shall have the right to adopt alternative risk management programs to insure against any of the risks required to be insured against under the terms of the Lease, including a program of self-insurance (except self-insurance against loss of rental income), in whole or in part. Any such alternative risk management program must be approved as reasonable and appropriate by a Risk Management Consultant (as defined in the Lease). The approval of the Risk Management Consultant shall be in the form of a report on the nature of the program and the adequacy of its funding which shall be prepared and filed annually with the Trustee not later than April 1 of each year during any period when such program is in effect, commencing on or prior to the date such program is implemented. If such annual approving report is not timely filed with the Trustee, the Trustee shall promptly notify the City in writing and the City shall immediately obtain insurance as required by the Lease.

Rental Interruption Insurance. The Lease requires the City to procure and maintain throughout the term of the Lease, rental interruption or use and possession insurance to cover loss, total or partial, of the use of any structures constituting any part of the Leased Property as a result of any of the hazards covered in the insurance required by the Lease in an amount at least equal to Base Rental payments due during a 24-month period, plus the Additional Rental
expected to be paid pursuant to the Lease for such period. The City may not satisfy the requirement for rental interruption or use and occupancy insurance by self insurance.

**Title Insurance.** The City is obligated under the Lease to obtain on the Closing Date a title insurance policy or policies with endorsement so as to be payable to the Trustee for the use and benefit of the Bondowners. Such policy or policies shall be in the amount of the aggregate principal amount of the Bonds initially issued, and shall insure the Authority’s leasehold interest in the real property described in the Lease, subject only to Permitted Encumbrances, and shall insure the City’s leasehold therein as a first priority encumbrance, subject only to clauses (i), (iv) and (v) of the definition of Permitted Encumbrances.

**Net Proceeds; Form of Insurance.** All proceeds of such insurance must be payable to the Trustee as and to the extent required under the Lease pursuant to a lender’s loss payable endorsement substantially in accordance with the form approved by the Insurance Services Office and the California Bankers Association, and all amounts so paid to the Trustee shall be applied as provided in the Trust Agreement. Following payment in full of all rental payable under the Lease, or provision therefor made, all such proceeds of insurance shall be paid to the Authority and to the City as their respective interests may appear.

Substitution or Removal of the Leased Property

Pursuant to the Lease, the City has the option to substitute or remove all or a portion of the Leased Property, subject to meeting the requirements of the Lease. The requirements are summarized under the caption "THE LEASED PROPERTY" above. See also "RISK FACTORS - Substitution and Removal of the Leased Property."

**RISK FACTORS**

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Bonds

The obligation of the City to make the Base Rental payments does not constitute a debt of the City or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease, subject to abatement, to pay the Base Rental payments from any source of legally available funds, including unencumbered amounts on deposit in the City’s Parking Services Fund. The City has covenanted in the Lease that it will take such action as may be necessary to include all rental payments due under the Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Base Rental payments.
The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental payments and other payments due under the Lease.

The City's ability to collect, budget and appropriate various revenues is subject to current and future State laws and constitutional provisions, and it is possible that the interpretation and application of these provisions could result in an inability of the City to pay the Base Rental payments when due. See “RISK FACTORS - Relevant Pending Litigation” and “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” herein.

Eminent Domain

If the entirety of the Leased Property (or portions thereof such that the remainder is not usable for public purposes of the City) is taken permanently under the power of eminent domain, the term of the Lease will cease as of the day possession is taken. If less than the entirety of the Leased Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then the Lease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due in an amount to be agreed upon by the City and the Authority, but, subject to the fair rental value requirements of the Lease, in no event shall the rental be less than the amount required for the retirement of the Bonds and the payment of the interest thereon as such Bonds and interest become due. So long as any of the Bonds shall be outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof shall be paid to the Trustee and applied as provided in the Trust Agreement.

Abatement

The Lease provides that the amount of Base Rental payments will be subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the City of the Leased Property. The amount of such abatement will be agreed upon by the City and the Authority such that the resulting Base Rental payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease will continue in full force and effect and the City, in the Lease, waives any right to terminate the Lease by virtue of any such damage and destruction.

However, during any period of abatement, the Authority shall use the proceeds of rental interruption insurance maintained pursuant to the Lease, moneys on deposit in the Reserve Fund maintained under the Trust Agreement to make debt service payments on the Bonds, and, the City, to the extent available, shall use moneys in its Parking Services Fund (described above) to pay the Base Rental payments and other amounts due under the Lease.
Limited Recourse on Default; No Acceleration

If the City defaults on its obligation to make Base Rental payments, there is no available remedy of acceleration of the total Base Rental payments due over the term of the Lease. The City will only be liable for Base Rental payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's rental payments.

Limitation on Remedies; Bankruptcy

The rights of the Owners of the Bonds are subject to the limitations on legal remedies against cities and counties in the State, including State constitutional limits on expenditures and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest, by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors’ rights, by equitable principles, by the exercise of judicial powers in appropriate cases and by the exercise by the federal and State governments of their sovereign powers. The opinions of counsel, including Bond Counsel, delivered in connection with the Bonds will be so qualified. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. Bankruptcy proceedings, if initiated, or the exercise of powers by the federal or state government, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise and consequently may entail risk or delay, limitation or modification of their rights.

Loss of Tax Exemption

As discussed under the heading “TAX MATTERS,” the interest represented by the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Bonds as a result of acts or omissions of the City in violation of its covenants in the Trust Agreement and the Lease. Should such an event of taxability occur, the Bonds would not be subject to a special prepayment and would remain Outstanding until maturity or until prepaid under the prepayment provisions contained in the Trust Agreement.

Seismic Considerations

The City, like much of California, is subject to seismic activity that could result in interference with its right to use and possession of the Leased Property. The major fault likely to impact the City and much of central and northern California is the nearby San Andreas Fault. The City is not required to maintain, or cause to be maintained, earthquake insurance unless it is obtainable in reasonable amounts at reasonable cost on the open market from reputable insurance companies. The occurrence of severe seismic activity in the area of the Leased Property could result in substantial damage and interference with the City’s right to use and occupy all or a portion of the Leased Property, and result in Base Rental payments being subject to abatement. See “Abatement” above.

State of California Financial Condition

The State of California is currently experiencing significant financial and budgetary stress. The financial condition of the State has an impact on the level of revenues received by the City. See “CITY FINANCES.”
No Liability of Authority to the Owners

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

Substitution and Removal of the Leased Property

The Lease permits the City, under certain circumstances described in “THE LEASED PROPERTY - Substitution of Leased Property” and – Removal of Leased Property,” to remove and or substitute all or a portion of the Leased Property so long as the resulting annual fair rental value of the Leased Property is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the Lease at the time of such Substitution or removal. The Lease does not require that the Leased Property after the substitution or release have a value equal to the value of the Leased Property prior to such substitution or release. Thus, a portion of the property comprising the Leased Property could be replaced with less valuable property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Bonds, particularly if an event requiring abatement of Base Rental payments were to occur subsequent to such substitution or release.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A was subsequently amended in 1986, as discussed below. Article XIII A limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean “the City assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% 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.
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.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIII B of the California Constitution

At the statewide special election on November 6, 1979, the voters approved an initiative entitled “Limitation on Government Appropriations” which added Article XIII B to the California Constitution. Under Article XIII B, state and local government entities have an annual “appropriations limit” which limits the ability to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues and certain state subventions together called “proceeds of taxes” and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of monies which are excluded from the definition of “appropriations limit” including debt service on indebtedness existing or authorized as of September 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population and services provided by these entities. Among other provisions of Article XIII B, if those entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The City is subject to and is operating in conformity with Article XIII B. The City’s appropriations limit for fiscal year 2010-11 was $93,877,674 and its actual appropriations in fiscal year 2010-11 were $48,469,424. The appropriations limit for fiscal year 2011-12 is $100,987,678, and the budgeted appropriations for fiscal year 2011-12 are $50,180,413. A final reconciliation is done at the end of each fiscal year and reported to the State Controller.

Proposition 62

Proposition 62 was a statutory initiative adding Sections 53720 to 53730, inclusive, to the California Government Code. It confirmed the distinction between a general tax and special tax, established by the State Supreme Court in 1982 in City and City of San Francisco v. Farrell, by defining a general tax as one imposed for general governmental purposes and a special tax
as one imposed for specific purposes. Proposition 62 further provided that no local government or district may impose (i) a general tax without prior approval of the electorate by majority vote or (ii) a special tax without such prior approval by two-thirds vote. It further provided that if any such tax is imposed without such prior approval, the amount thereof must be withheld from the levying entity’s allocation of annual property taxes for each year that the tax is collected. By its terms, Proposition 62 applies only to general and special taxes imposed on or after August 1, 1985. In September 1995, the California Supreme Court invalidated a one-half cent sales tax imposed in 1986 by 54.0% of Santa Clara City’s voters to fund local transportation projects (Santa Clara City Local Transportation Authority v. Guardino). The Court determined that the tax was a “special tax,” one whose proceeds are dedicated to a special purpose (in this case, transportation). Consequently, the California Constitution required a two-thirds voter approval. The Court relied in part upon the provisions of Proposition 62, even though the California Appellate Courts had previously ruled Proposition 62 unconstitutional in most respects.

The City believes that loss of amounts equal to the general fund revenues derived from general taxes imposed on or after August 1, 1985, either retroactively and/or prospectively, would not adversely affect the City’s ability to pay the Base Rental payments.

Article XlllC and XllID of the California Constitution

Proposition 218. 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 XlllC and XllID 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.

Proposition 26. 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 XllIA and XllIC of the State Constitution. The amendments to Article XllIA 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 XllIC 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.

Taxes. Article XlllC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City (general taxes) require a majority vote; taxes for specific purposes (special taxes), 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.

Property-Related Fees, Charges and Assessments. Article XllID 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 XllID, 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.

Reduction or Repeal of Taxes, Fees and Charges. Article XIIIC 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. If such repeal or
reduction occurs, the City's ability to pay debt service on the Bonds could be adversely affected.

Burden of Proof. Article XIIIC provides that local government "bears the burden of
proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax,
that the amount is no more than necessary to cover the reasonable costs of the governmental
activity, and that the manner in which those costs are allocated to a payor bear a fair or
reasonable relationship to the payor's burdens on, or benefits received from, the governmental
activity." Similarly, Article XIIID provides that in "any legal action contesting the validity of a fee
or charge, the burden shall be on the agency to demonstrate compliance" with Article XIIID.

Impact on City's General Fund. The approval requirements of Articles XIIIC and XIIID
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 the taxes, fees, charges or
taxes in the future that it may need to meet increased expenditure needs.

The City does not believe that any material source of General Fund revenue is subject to
challenge under Articles XIIIC or XIIID.

Judicial Interpretation. The interpretation and application of Articles XIIIC and XIIID 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.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility
property assessed by the State Board of Equalization ("Unitary Property"), commencing with the
1988-89 fiscal year, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its
prior year State-assessed revenue; and (ii) if City-wide revenues generated from Unitary
Property are less than the previous year's revenues or greater than 102% of the previous year's
revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess
revenues by a specified formula. This provision applies to all Unitary Property except railroads,
whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any
State-assessed properties nor a revision of the methods of assessing utilities by the State Board
of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be
shared by all jurisdictions in a City.
Future Initiatives

Article XIII A, Article XIII B, Proposition 62 and Proposition 218 were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the City's revenues.

THE AUTHORITY

The San Rafael Joint Powers Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated May 6, 1992, as amended (the "JPA Agreement"), by and between the City and the San Rafael Redevelopment Agency (the "Agency") in accordance with the provisions of the Act. The Authority was created for the purpose, among others, of issuing its bonds to be used to finance the acquisition, construction and improvement of certain public capital improvements for the City.

The State adopted ABx1 26 on June 28, 2011, pursuant to which the Agency was dissolved and the City acts as its successor agency. Pursuant to Section 34178(b)(3) of the Community Redevelopment Law, as amended by ABx1 26, the JPA Agreement is not invalid as a result of the dissolution of the Agency.

The Bonds are special obligations of the Authority payable only from Revenues and not out of any other fund or money of the Authority. The Bonds are not a debt of the Authority (except to the limited extent set forth herein), the City or the successor agency to the Agency.

THE CITY

The City of San Rafael (the "City") is located 17 miles north of San Francisco in Marin County (the "County"). The City is the County seat and largest city within the County. The City currently has a land area of 22 square miles which includes 17 square miles of land and five of water and tidelands, and a population estimated at 58,305 as of January 1, 2012. Cultural, park and recreational resources are available within the City, and nearby attractions include Muir Woods, five State parks, the San Francisco area, Oakland and the wine country.

The City provides municipal services required by statute or charter, namely: Fire, Police, Community Development (encompassing Building, Planning and Code Enforcement), Public Works, Community Services (both Recreational and Child Care Programs), Redevelopment, Library and General Administrative Services. For certain general and demographic information regarding the City, see "APPENDIX B - City of San Rafael General Information."

The City was incorporated in 1874 and became a charter city in 1913. It has a council/city manager form of government, with Marin's only elected mayor and four elected city council members who serve four-year terms.

CITY FINANCES

The following selected financial information provides a brief overview of the City's finances. This financial information has been extracted from the City's audited financial
statements and, in some cases, from unaudited information provided by the City's Department of Finance. The most recent audited financial statements of the City with an unqualified auditor's opinion is included as "APPENDIX C – Audited Financial Statements of the City for the Fiscal Year Ended June 30, 2011."

**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 2010-11 was prepared by Maze & Associates Accountancy Corporation, Pleasant Hill, California.

The Governmental Accounting Standards Board ("GASB") published its Statement No. 34 "Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management’s Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting and fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iii) required supplementary information.

The City was required to implement Statement No. 34 for the fiscal year 2001-02 audited financial statement. See “APPENDIX C – Audited Annual Statements of the City for the Fiscal Year Ended June 30, 2011 – Audited Financial Statement – Note 1” for a description of the significant accounting policies of the City. See "FINANCIAL STATEMENTS OF THE CITY" below.
General Fund Financial Summary

The audited information contained in the following tables of revenues, expenditures and changes in fund balances, and assets, liabilities and fund equity has been derived from the City’s audited financial statements for fiscal years 2007-08 through 2010-11.

CITY OF SAN RAFAEL
General Fund - Audited Revenues, Expenditures and Fund Balances
For Fiscal Years 2007-08 through 2010-11

<table>
<thead>
<tr>
<th></th>
<th>Audited Fiscal Year</th>
<th>Audited Fiscal Year</th>
<th>Audited Fiscal Year</th>
<th>Audited Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007-08</td>
<td>2008-09</td>
<td>2009-10</td>
<td>2010-11</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes and special assessments</td>
<td>$48,084,486</td>
<td>$42,951,759</td>
<td>$39,717,752</td>
<td>$42,346,707</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>1,489,748</td>
<td>1,467,413</td>
<td>1,515,069</td>
<td>1,416,772</td>
</tr>
<tr>
<td>Fines and forfeitures</td>
<td>796,081</td>
<td>660,338</td>
<td>787,411</td>
<td>862,820</td>
</tr>
<tr>
<td>Use of money and property</td>
<td>224,439</td>
<td>156,747</td>
<td>155,196</td>
<td>148,213</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>7,246,381</td>
<td>7,018,197</td>
<td>6,736,930</td>
<td>6,645,495</td>
</tr>
<tr>
<td>Charges for services</td>
<td>2,203,852</td>
<td>1,923,653</td>
<td>1,936,405</td>
<td>1,819,641</td>
</tr>
<tr>
<td>Other revenues</td>
<td>269,656</td>
<td>238,614</td>
<td>197,843</td>
<td>395,558</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$60,314,643</td>
<td>$54,416,721</td>
<td>$51,046,606</td>
<td>$53,685,206</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>$ 7,023,660</td>
<td>$ 6,811,591</td>
<td>$ 6,701,085</td>
<td>$ 6,789,829</td>
</tr>
<tr>
<td>Public safety</td>
<td>34,435,419</td>
<td>35,056,051</td>
<td>32,218,288</td>
<td>34,098,697</td>
</tr>
<tr>
<td>Public works and parks</td>
<td>7,602,332</td>
<td>7,299,137</td>
<td>7,878,081</td>
<td>7,475,774</td>
</tr>
<tr>
<td>Community development/redevelopment</td>
<td>3,705,928</td>
<td>4,004,081</td>
<td>3,190,343</td>
<td>3,074,897</td>
</tr>
<tr>
<td>Cultural and recreation</td>
<td>2,292,848</td>
<td>2,463,777</td>
<td>2,316,695</td>
<td>2,211,033</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>264,919</td>
<td>159,230</td>
<td>178,887</td>
<td>162,267</td>
</tr>
<tr>
<td>Capital improvement/special projects</td>
<td>484,926</td>
<td>518,251</td>
<td>268,801</td>
<td>152,814</td>
</tr>
<tr>
<td>Debt service: principal</td>
<td>213,598</td>
<td>222,019</td>
<td>230,772</td>
<td>239,106</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$56,023,630</td>
<td>$56,534,117</td>
<td>$52,692,952</td>
<td>$54,309,573</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over expenditures</td>
<td>$4,291,013</td>
<td>($2,117,396)</td>
<td>($1,646,346)</td>
<td>($74,367)</td>
</tr>
<tr>
<td>Other financing sources (uses):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating transfers in</td>
<td>$ 933,760</td>
<td>$ 4,060,090</td>
<td>$ 3,487,383</td>
<td>$ 2,946,685</td>
</tr>
<tr>
<td>Operating transfers out</td>
<td>(4,928,005)</td>
<td>(4,265,229)</td>
<td>(2,652,443)</td>
<td>(2,288,602)</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>(3,994,245)</td>
<td>(205,139)</td>
<td>834,940</td>
<td>658,083</td>
</tr>
<tr>
<td>Net change in Fund Balance</td>
<td>296,768</td>
<td>(2,322,535)</td>
<td>(811,406)</td>
<td>(16,284)</td>
</tr>
<tr>
<td>Fund balance, July 1 (1)</td>
<td>5,921,997</td>
<td>6,218,765</td>
<td>7,613,201</td>
<td>6,801,795</td>
</tr>
<tr>
<td>Fund balance, June 30</td>
<td>$6,218,765</td>
<td>$3,896,230</td>
<td>$6,801,795</td>
<td>$6,785,511</td>
</tr>
</tbody>
</table>

(1) During fiscal year 2009-10, the City transferred the general liability and workers' compensation claims payable and the corresponding cash reserves from the Liability Insurance and Workers' Compensation Internal Service Funds to the General Fund. The transfer was due to the fact that these claim liabilities had been settled mostly with resources from the General Fund. As a result of the above transfer, the beginning fund balance of the General Fund was increased by $3,716,971.

Source: City of San Rafael; Comprehensive Annual Financial Reports.
# CITY OF SAN RAFAEL
## General Fund Balance Sheet
### As of June 30 for Fiscal Years 2007-08 through 2010-11

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments for operations</td>
<td>$824,055</td>
<td>$346,217</td>
<td>$3,971,946</td>
<td>$9,897,730</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>73,273</td>
<td>74,896</td>
<td>75,633</td>
<td>76,015</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts</td>
<td>277,511</td>
<td>411,511</td>
<td>177,106</td>
<td>173,993</td>
</tr>
<tr>
<td>Taxes</td>
<td>4,365,440</td>
<td>3,248,540</td>
<td>3,553,167</td>
<td>4,008,671</td>
</tr>
<tr>
<td>Interest</td>
<td>285,703</td>
<td>133,703</td>
<td>65,542</td>
<td>60,326</td>
</tr>
<tr>
<td>Loans</td>
<td>632,316</td>
<td>623,863</td>
<td>583,300</td>
<td>549,722</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>952,072</td>
<td>87,581</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>56,859</td>
<td>48,042</td>
<td>28,214</td>
<td>40,111</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$7,466,229</td>
<td>$4,974,353</td>
<td>$8,454,908</td>
<td>$14,808,568</td>
</tr>
<tr>
<td><strong>LIABILITIES AND FUND BALANCE:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$866,126</td>
<td>$635,495</td>
<td>$1,301,396</td>
<td>$1,427,725</td>
</tr>
<tr>
<td>Deposits payable</td>
<td>31,290</td>
<td>31,451</td>
<td>31,451</td>
<td>35,276</td>
</tr>
<tr>
<td>Developer bonds payable</td>
<td>350,048</td>
<td>350,048</td>
<td>320,286</td>
<td>320,266</td>
</tr>
<tr>
<td>Note payable</td>
<td>6,080,000</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Interest payable</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>111,157</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>6,267</td>
</tr>
<tr>
<td>Compensated absences- matured</td>
<td>--</td>
<td>61,129</td>
<td>--</td>
<td>40,366</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$1,247,464</td>
<td>$1,078,123</td>
<td>$1,653,113</td>
<td>$8,021,057</td>
</tr>
<tr>
<td><strong>Fund Balance: (3)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonspendable</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>$589,833</td>
</tr>
<tr>
<td>Restricted</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>200,238</td>
</tr>
<tr>
<td>Committed</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>555,561</td>
</tr>
<tr>
<td>Assigned</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>5,439,879</td>
</tr>
<tr>
<td>Reserved for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Encumbrances</td>
<td>$181,589</td>
<td>$350,717</td>
<td>$132,507</td>
<td>--</td>
</tr>
<tr>
<td>Petty cash</td>
<td>3,795</td>
<td>3,645</td>
<td>3,645</td>
<td>--</td>
</tr>
<tr>
<td>Department savings</td>
<td>--</td>
<td>530,512</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Project development</td>
<td>433,202</td>
<td>623,863</td>
<td>576,995</td>
<td>--</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>632,316</td>
<td>48,042</td>
<td>583,300</td>
<td>--</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>56,859</td>
<td>--</td>
<td>28,214</td>
<td>--</td>
</tr>
<tr>
<td>Court fine audit</td>
<td>816,119</td>
<td>594,100</td>
<td>363,328</td>
<td>--</td>
</tr>
<tr>
<td>Assess. districts/open space</td>
<td>73,273</td>
<td>74,896</td>
<td>75,633</td>
<td>--</td>
</tr>
<tr>
<td>Unreserved, designated:</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Emergency and cash flow</td>
<td>$4,078,471</td>
<td>1,670,455</td>
<td>1,439,586</td>
<td>--</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>--</td>
<td>--</td>
<td>3,598,587</td>
<td>--</td>
</tr>
<tr>
<td>Unreserved, undesignated</td>
<td>(56,859)</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total fund balance (1)</strong></td>
<td>$6,218,765</td>
<td>$3,896,230</td>
<td>$6,801,795</td>
<td>$6,785,511</td>
</tr>
<tr>
<td><strong>Total liabilities and fund balance</strong></td>
<td>$7,466,229</td>
<td>$4,974,353</td>
<td>$8,454,908</td>
<td>$14,808,568</td>
</tr>
</tbody>
</table>

(1) In fiscal year 2009-10, the City transferred the general liability and workers' compensation claims payable and the corresponding cash reserves from the Liability Insurance and Workers' Compensation Internal Service Funds to the General Fund. The transfer was due to the fact that these claims liabilities had been settled mostly with resources from the General Fund. As a result of this transfer, the beginning fund balance of the General Fund was increased by $3,716,971.

(2) The fiscal year "Cash and investments for operations" and "Note payable" items reflect the City's $6,080,000 tax and revenue anticipation note issued on July 10, 2010; the note matures on July 28, 2011.

(3) The changes in "Fund Balance" and "Unreserved, designated" items between fiscal years 2009-10 and 2010-11 reflect reclassification required by GASB 54 (Fund Balance Reporting and Governmental Fund Type Definitions).

Source: City of San Rafael; Basic Financial Statements.
Recent Budgets

**Fiscal Year 2008-09.** The widespread economic downturn negatively affected the City's fiscal year 2008-09 budget. Sales tax revenues, the City's largest tax revenue in fiscal year 2007-08, declined by approximately 7%. Retail closures included major car dealerships, multiple larger store closures (Mervyns, Yardbirds, CompUSA, Circuit City, Elephant Pharmacy and Papyrus), and restaurant closures.

In July 2008, adopting a balanced budget for fiscal year 2008-09 required, among other things: (i) suspension of six vacant positions for a total expenditure reduction of $635,400, (ii) use of excess reserves from the Liability, Worker's Compensation and Vehicle Equipment Funds of $635,000, and (iii) restructuring of training and scheduling changes in the Police Department, saving $252,000.

In October 2008 and again in January 2009, the Council addressed further erosion in the City's tax revenues. In January 2009, the City discussed its services in three categories (those paid with general taxes, those supported by restricted resources and support/administrative functions). The City took a three-year outlook, which served as the catalyst for determining how compensation issues would be addressed in negotiations with several employee bargaining groups. Based on adjusted tax revenues, the City projected in January 2009 a $2.1 deficit at the end of fiscal year 2008-09. Because only half of the fiscal year remained to address the deficit, the City Council took a number of one-time and ongoing actions totaling $1.7 million, as follows: (i) the City used an additional $400,000 from gas tax revenue to pay for street maintenance, (ii) the City suspended six additional staff vacation positions, saving $251,000 over the balance of the fiscal year, (iii) the City reduced funding for sidewalk improvements and fire equipment ($347,000) and (iv) drew upon one-time reserves of $640,600, leaving the General Fund reserve at $3.1 million (5.5% of operating expenditures).

In February 2009, the City projected a $473,000 deficit for fiscal year 2008-09. Between January 2009 and June 2009, the City took additional steps to reduce its deficit: it (i) contracted with the County to provide fire dispatch services as of March 2009, saving $225,000 per year, (ii) updated its fee schedule, increasing development-related fees (although development is declining), (iii) reduced staffing in Information Technology and Public Works Engineering, (iv) completed one-year agreements with all unrepresented managers, mid-managers and elected officials, resulting in a 5% salary reduction beginning in July 2009 (resulting in approximately $500,000 of savings for fiscal year 2009-10), and added health care plan cost limitations for new hires, (v) adopted a Recession Action Plan and Economic Vitality Plan and directed staff to implement an employee work furlough program for fiscal year 2009-10, (vi) agreed to severance packages for employees subject to layoff and a voluntary retirement program for eligible employees and (vii) agreed to share Battalion Chief and Emergency Services resources with the City of Larkspur. In addition, the City transferred reserves from its Radio Replacement Fund to the General Fund in the amount of $400,000.

**Fiscal Year 2009-10.** The City adopted a fiscal year 2009-10 budget on July 6, 2009. The General Fund reserve was budgeted to remain at $3.1 million, equal to 5.5% of expenditures. The fiscal year 2009-10 budget included (i) a reduction of an additional 20.11 FTEs (resulting in a total FTE reduction of 28.61 from fiscal year 2007-08), (ii) facility closures of 13 days to implement an employee furlough, (iii) deferred replacement of non-emergency vehicles and (iv) reset of the City’s projected (and required) Liability and Workers Compensation reserves, providing one-time General Fund relief of $500,000. The fiscal year 2009-10 budget assumed no cost of living adjustments for operating expenses (supplies and services remained
at fiscal year 2007-08 levels, except for specific agreements or contracts) and assumed no personnel cost increases for all bargaining groups (except Fire Association and Fire Chief Officers, who were under contract until June 30, 2011).

After the City’s adoption of the fiscal year 2009-10 budget, major economic changes continued to occur which required further modifications to the adopted revenues and expenditures. The most significant changes were the declines in sales and transaction taxes. Tax revenues were lower than budgeted by approximately $3.1 million. The biggest reduction was for $1.5 million for the Triple Flip Back-Fill revenue – due in part to the State’s overpayment correction of approximately $750,000 in fiscal year 2008-09. On January 4, 2010 and January 26, 2010, amendments of approximately $2.7 million were made to the fiscal year 2009-10 budget. The amendments included position eliminations and layoffs totaling 25.55 FTE.

**Fiscal Year 2010-11.** In most ways, the fiscal year 2010-11 budget was a static document carrying forward cost reduction strategies such as second year of furloughs, no percentage increases for cost of living adjustments in operating expenses (operating expenditures, for the most part, remained at the fiscal year 2007-08 level), deferrals of all non-safety vehicle purchases or replacements, and no unit salary increases for those units bargaining in fiscal year 2010-11.

At the mid-year budget review, the City Council used $135,000 in General Fund reserves to off-set cost/revenue adjustments. At year end, the City Council approved final 2010-11 General Fund budget adjustments in the amount of $24,700 to support staffing needs.

**Fiscal Year 2011-12.** On July 5, 2011, the City Council adopted the City’s fiscal year 2011-12 budget. The fiscal year 2011-12 budget was balanced, but relied on one-time solutions; elimination of the structural deficit would require additional sources of revenue or deeper expenditure cuts in the future. The one-time solutions included the use of a portion of the City’s 2010 Taxable Pension Obligation Bond proceeds ($1 million). The budget also called for deposit of $500,000 to replenish the City’s economic uncertainty reserve (in an effort to restore the reserve percentage back to the 10% policy level; it was budgeted to be $1.9 million, or 3.3% of General Fund expenditures).

The fiscal year 2011-12 budget assumed new revenues as a result of the addition of two new businesses and a business fee schedule update. The fiscal year 2011-12 budget reduced budgeted expenditures by eliminating positions and reducing departmental costs, including:

- Elimination of Fire Captain position (due to upcoming retirement),
- Elimination of the Code Enforcement Supervisor position (currently vacant),
- Elimination of a Police Sergeant position (currently vacant),
- Elimination of a Police Officer position (currently vacant) and
- Reduction in contractual services in the Office of Emergency Services,
- A 4% reduction of total compensation across all bargaining units (an approximately $1.4 million savings for the general fund in fiscal year 2011-12).
Fiscal Year 2012-13. [to come upon completion of City budget process]

Comparison of Budget to Actual Performance

For purposes of comparison, the following table summarizes the City’s adopted budgets for fiscal years 2008-09 and 2009-10 and sets forth audited revenues and expenditures for fiscal years 2008-09 and 2009-10; it also includes the City’s adopted budget for fiscal years 2010-11 and 2011-12.
CITY OF SAN RAFAEL
General Fund - Comparison of Budgeted and Actual
Revenues, Expenditures and Fund Balances
For Fiscal Years 2008-09 through 2011-12

<table>
<thead>
<tr>
<th>Fund Balance, July 1</th>
<th>Budgeted Fiscal Year 2009-10</th>
<th>Audited Fiscal Year 2009-10</th>
<th>Budgeted Fiscal Year 2010-11</th>
<th>Audited Fiscal Year 2010-11</th>
<th>Budgeted Fiscal Year 2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes and special assessments</td>
<td>$43,680,980</td>
<td>$39,717,752</td>
<td>$41,938,130</td>
<td>$42,346,707</td>
<td>$42,673,640</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>1,274,426</td>
<td>1,515,069</td>
<td>1,228,224</td>
<td>1,416,772</td>
<td>1,406,350</td>
</tr>
<tr>
<td>Fines and forfeitures</td>
<td>1,552,540</td>
<td>787,411</td>
<td>742,540</td>
<td>862,820</td>
<td>459,200</td>
</tr>
<tr>
<td>Use of money and property</td>
<td>166,460</td>
<td>155,196</td>
<td>140,076</td>
<td>148,213</td>
<td>168,200</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>6,894,520</td>
<td>6,736,930</td>
<td>6,698,780</td>
<td>6,645,495</td>
<td>6,608,580</td>
</tr>
<tr>
<td>Charges for services</td>
<td>1,883,872</td>
<td>1,936,405</td>
<td>1,784,164</td>
<td>1,819,641</td>
<td>1,561,470</td>
</tr>
<tr>
<td>Other revenues</td>
<td>127,780</td>
<td>197,843</td>
<td>167,780</td>
<td>395,558</td>
<td>107,360</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$55,580,578</td>
<td>$51,046,606</td>
<td>$52,699,694</td>
<td>$53,635,206</td>
<td>$52,984,800</td>
</tr>
<tr>
<td>Expenditures:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>$ 7,134,420</td>
<td>$ 6,701,085</td>
<td>$7,445,927</td>
<td>$ 6,789,829</td>
<td>$5,876,750</td>
</tr>
<tr>
<td>Public safety</td>
<td>34,174,730</td>
<td>32,218,288</td>
<td>33,674,342</td>
<td>34,098,697</td>
<td>33,349,990</td>
</tr>
<tr>
<td>Public works and parks</td>
<td>8,411,360</td>
<td>7,678,081</td>
<td>7,835,825</td>
<td>7,475,774</td>
<td>8,446,080</td>
</tr>
<tr>
<td>Community development/redevel.</td>
<td>3,627,760</td>
<td>3,100,343</td>
<td>3,006,272</td>
<td>3,074,897</td>
<td>3,022,310</td>
</tr>
<tr>
<td>Cultural and recreation</td>
<td>2,355,370</td>
<td>2,316,695</td>
<td>2,124,337</td>
<td>2,211,033</td>
<td>2,278,630</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>44,850</td>
<td>178,887</td>
<td>44,850</td>
<td>162,287</td>
<td>44,850</td>
</tr>
<tr>
<td>Capital improvement/special projects</td>
<td>33,500</td>
<td>268,801</td>
<td>35,500</td>
<td>152,814</td>
<td>40,000</td>
</tr>
<tr>
<td>Debt service: principal</td>
<td>230,770</td>
<td>230,772</td>
<td>256,726</td>
<td>239,106</td>
<td>142,020</td>
</tr>
<tr>
<td>Interest and fiscal charges</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>105,156</td>
<td>--</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$55,012,760</td>
<td>$52,692,952</td>
<td>$54,423,776</td>
<td>$53,409,573</td>
<td>$53,200,530</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over expenditures</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>$(674,367)</td>
<td>--</td>
</tr>
<tr>
<td>Other financing sources (uses):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating transfers in</td>
<td>$2,556,800</td>
<td>$3,487,383</td>
<td>$3,753,100</td>
<td>$2,946,685</td>
<td>$2,490,940</td>
</tr>
<tr>
<td>Operating transfers out</td>
<td>(2,369,720)</td>
<td>(2,652,443)</td>
<td>(2,029,016)</td>
<td>(2,288,602)</td>
<td>(1,763,250)</td>
</tr>
<tr>
<td>Total other financing sources (uses)</td>
<td>$187,080</td>
<td>$834,940</td>
<td>$1,724,084</td>
<td>$658,083</td>
<td>$727,690</td>
</tr>
<tr>
<td>Net change in Fund Balance</td>
<td>$(245,102)</td>
<td>$(811,406)</td>
<td>$0</td>
<td>$(16,284)</td>
<td>$511,960</td>
</tr>
</tbody>
</table>

(1) During fiscal year 2009-10, the City transferred the general liability and workers' compensation claims payable and the corresponding cash reserves from the Liability Insurance and Workers' Compensation Internal Service Funds to the General Fund. As a result, the beginning fund balance of the General Fund was increased by $3,716,971.

Source: City of San Rafael.

General Fund Reserves

The City Council has adopted a financial management policy requiring that emergency and cash flow reserves be maintained at 10% of general fund expenditures. In fiscal year 2010-11, the reserves were funded at 2.6%. During the current fiscal year (fiscal year 2011-12),
reserves are funded at approximately 3.4% (projected) of general fund expenditures, and are projected to be approximately 2.5% of general fund expenditures in fiscal year 2012-13 due to a budgeted increase in revenues as well as expenditure increases. The reserves declined to 3.04% in fiscal year 2008-09, principally due to the severe economic decline which impacted the City’s revenues. As part of the City’s long-term budget and the City Council’s desire for a contingency reserve for emergencies, the City plans to increase reserves as resources become available.

Other General Fund Reserves

Other General Fund reserves include a reserve for contingent liabilities. These reserves are available to the General Fund. In fiscal year 2009-10, these funds represented 6.9% of General Fund expenditures, 7.25% in fiscal year 2010-11, 7.5% in fiscal year 2011-12, and, in fiscal year 2012-13, these reserves are projected to be 7.0% of General Fund expenditures.

Other Reserves - Internal Service Funds

The City maintains internal services funds that are available to the General Fund. The funds include reserves for Employee Benefits, Liability Insurance, Workers’ Compensation, and Equipment Replacement. In fiscal year 2009-10, these reserves represented 7.1% of General Fund expenditures, 9.4% in fiscal year 2010-11, 9.8% in fiscal year 2011-12, and, in fiscal year 2012-13, these reserves are projected to be 10.4% of General Fund expenditures.

Tax Receipts

Revenues received by the City include sales taxes, property taxes, transaction/use taxes (Measure S), business license taxes, property transfer taxes, occupancy taxes, franchise taxes, business license taxes and other miscellaneous taxes.

The following table sets forth General Fund revenues received by the City for fiscal years 2007-08 through 2010-11, by source, as well as the percentage of total fiscal year 2010-11 revenues that each revenue source contributes.
CITY OF SAN RAFAEL
General Fund Revenues by Source
For Fiscal Years 2007-08 through 2010-11

<table>
<thead>
<tr>
<th>Source:</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>Percent of Total 2010-11 Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and use tax (1)</td>
<td>$18,426,045</td>
<td>$15,869,530</td>
<td>$13,517,343</td>
<td>$15,426,543</td>
<td>28.76%</td>
</tr>
<tr>
<td>Property taxes (1), (2)</td>
<td>17,662,230</td>
<td>17,429,069</td>
<td>17,255,870</td>
<td>12,833,427</td>
<td>23.93</td>
</tr>
<tr>
<td>Transaction/Use Tax (3)</td>
<td>7,338,412</td>
<td>6,110,732</td>
<td>5,537,781</td>
<td>6,196,903</td>
<td>11.55</td>
</tr>
<tr>
<td>Business License Tax</td>
<td>2,440,544</td>
<td>2,405,934</td>
<td>2,317,664</td>
<td>2,296,460</td>
<td>4.28</td>
</tr>
<tr>
<td>Property Transfer Tax</td>
<td>1,273,448</td>
<td>669,774</td>
<td>839,387</td>
<td>785,874</td>
<td>1.46</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>1,963,575</td>
<td>1,678,912</td>
<td>1,558,243</td>
<td>1,644,262</td>
<td>3.07</td>
</tr>
<tr>
<td>Franchise Tax</td>
<td>2,874,952</td>
<td>2,941,149</td>
<td>2,868,332</td>
<td>2,990,540</td>
<td>5.58</td>
</tr>
<tr>
<td>Other Taxes (4)</td>
<td>200,984</td>
<td>162,128</td>
<td>162,060</td>
<td>172,699</td>
<td>3.28</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>1,489,746</td>
<td>1,467,413</td>
<td>1,515,070</td>
<td>1,416,771</td>
<td>2.64</td>
</tr>
<tr>
<td>Fines and forfeitures</td>
<td>856,917</td>
<td>660,338</td>
<td>787,409</td>
<td>862,821</td>
<td>1.61</td>
</tr>
<tr>
<td>Use of Money and Property</td>
<td>224,438</td>
<td>156,747</td>
<td>155,196</td>
<td>148,213</td>
<td>.28</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>3,150,677</td>
<td>2,712,708</td>
<td>2,398,003</td>
<td>6,645,495</td>
<td>12.39</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>2,143,011</td>
<td>1,923,653</td>
<td>1,956,401</td>
<td>1,819,638</td>
<td>3.39</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>269,655</td>
<td>238,614</td>
<td>197,842</td>
<td>395,559</td>
<td>.74</td>
</tr>
<tr>
<td>Total</td>
<td>$60,314,634</td>
<td>$54,416,721</td>
<td>$51,046,600</td>
<td>$53,635,205</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

(1) Includes property tax backfill (Triple Flip). See "Impact of State Budget" below.
(2) Property tax revenue includes secured, unsecured, supplemental, homeowner's exemption and VLF property tax backfill property tax revenue along with penalties and interest.
(3) Measure "S" Transaction and Use Tax. See "Other Taxes" below.
(4) Other taxes include Unitary tax.
Source: City of San Rafael.

Sales Taxes

**General.** Sales tax represented the largest source of revenue to the City in fiscal year 2010-11 ($21,623,446). This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State. However, the State budget situation has resulted in a temporary redirection of sales tax revenues from the City to the State (see "Impact of State Budget" below).

**Sales Tax Rates.** The sales tax is governed by the Bradley-Burns Uniform Local Sales and Use Tax (the "Sales Tax Law"). A sales tax is imposed on retail sales or consumption of personal property. The tax rate is established by the State Legislature.

Effective July 1, 2011, the statewide tax rate is 7.25%. An additional 0.75% is collected in Marin County for transportation purposes. The City's share of sales tax was 1%, but is now 0.75% after the passage of Proposition 57. See "Proposition 57" below. The 0.25% difference is offset by an increase in the City's share of property tax by a like amount.

In addition, the City receives revenue from the 0.50% Measure S Transactions and Use Tax (approved by the City's voters in November 2005).
Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City's share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

**CITY OF SAN RAFAEL**

**Sales Tax Rates**

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>State (General Fund)</td>
<td>5.00%</td>
</tr>
<tr>
<td>State Fiscal Recovery Act (Triple Flip)</td>
<td>0.25</td>
</tr>
<tr>
<td>Local General Fund (Bradley-Burns)</td>
<td>0.75</td>
</tr>
<tr>
<td>Countywide Transportation Fund</td>
<td>0.25</td>
</tr>
<tr>
<td>County Mental Health/Welfare Districts</td>
<td>0.50</td>
</tr>
<tr>
<td>Public Safety Augmentation Fund</td>
<td>0.50</td>
</tr>
<tr>
<td>Total State-wide Tax</td>
<td>7.25%</td>
</tr>
<tr>
<td>Sonoma-Marin Train (SMART)</td>
<td>0.25%</td>
</tr>
<tr>
<td>Transportation Authority of Marin</td>
<td>0.50</td>
</tr>
<tr>
<td>San Rafael Transactions and Use Tax (Measure S)</td>
<td>0.50</td>
</tr>
<tr>
<td>Local Tax Subtotal</td>
<td>1.25%</td>
</tr>
<tr>
<td><strong>Total Sales and Use Tax</strong></td>
<td>8.50%</td>
</tr>
</tbody>
</table>

The State's actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The Sales Tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's May 2003 publication entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Board of Equalization's website at [http://www.boe.ca.gov/](http://www.boe.ca.gov/).

**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 like 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 a 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.

Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization’s quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous 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.

Proposition 57. On March 2, 2004, the State's voters approved the California Economic Recovery Bond Act ("Proposition 57"), which authorized the State to issue up to $15 billion of economic recovery bonds to finance the negative State General Fund reserve balance as of June 30, 2004 and other State General Fund obligations undertaken prior to June 30, 2004. Proposition 57 also called for local sales and use taxes to be redirected to the State, including 0.25% that would otherwise be available to the City, to pay debt service on the "economic recovery" bonds, and for an increase in local governments' share of local property tax by a like amount.

Certain features and consequences of the sales tax redirection could impact the availability of the City's revenues. First, there may be a timing issue associated with the "backfill" of redirected sales and use taxes with property tax revenue: while sales and uses taxes are distributed by the State Board of Equalization on a monthly basis, the County would only backfill with property taxes on a semi-annual basis. This timing issue would not only impact the City's cash flow, but would cause the City to lose investment earnings on the sales and uses taxes it otherwise would have received on a monthly basis.

Second, it is possible that the fees charged by the County for property tax administration, which are subtracted from property tax revenue collected by the County before it
is allocated to the City, could increase as a result of the various tasks required of the County by the redirection. In addition, the State Board of Equalization administration fee is likely to increase as a percentage of local sales and use tax received by the City unless the State Board of Equalization reduces its fee, which it is unlikely to do because the cost of collecting the sales and use taxes on a per-transaction basis will not go down.

Third, the redirection of sale and use taxes by the State reflects the vulnerability of local government to the State budget process. If, in the future, the State elects to further reallocate sales and use taxes or property tax revenue, or any other source of General Fund revenue, the City may not know the exact amount of revenue available to it.

**History of Taxable Transactions.** 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, Retail Sales data for 2009 and 2010 is not comparable to that of prior years. A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2010 in the City were reported to be $1,344,554,000, a 6.21% increase over the total taxable sales of $1,265,950,000 reported during calendar year 2009.

<table>
<thead>
<tr>
<th></th>
<th>Retail Stores</th>
<th>Total All Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Permits</td>
<td>Taxable Transactions</td>
</tr>
<tr>
<td>2006</td>
<td>1,275</td>
<td>1,262,029</td>
</tr>
<tr>
<td>2007</td>
<td>1,257</td>
<td>1,271,360</td>
</tr>
<tr>
<td>2008</td>
<td>1,258</td>
<td>1,134,040</td>
</tr>
<tr>
<td>2009 (1)</td>
<td>1,578</td>
<td>980,006</td>
</tr>
<tr>
<td>2010 (1)</td>
<td>1,615</td>
<td>1,049,919</td>
</tr>
</tbody>
</table>

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

**Property Taxes**

Property taxes represented the second largest source of General Fund revenue in fiscal year 2010-11 ($21,632,733). This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City.

**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 February 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 ½% 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 ½% 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.

**Historic Secured Property Tax Revenues.** Section 4701 through Section 4717 of the California Revenue and Taxation Code permit counties to use a method of apportioning taxes

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(commonly referred to as the "Teeter Plan") whereby local agencies receive from the County 100% of their respective shares of the amount of secured ad valorem taxes levied, without regard to actual collections of taxes. Due to this allocation method, the cities in the County receive no adjustments for redemption payments on delinquent collections. The unsecured taxes are allocated based on actual unsecured tax collections.

Marin County has adopted the Teeter Plan. Consequently, secured property tax collections allocated to the City do not reflect actual collections.

**Assessed Valuation Information.** Set forth below is a listing of the City's assessed valuations, net of homeowners' and other exemptions, for the past five fiscal years.

**CITY OF SAN RAFAEL**
Assessed Valuation
For Fiscal Year 2007-08 through 2011-12

<table>
<thead>
<tr>
<th>Year</th>
<th>Local Secured</th>
<th>Utility</th>
<th>Unsecured</th>
<th>Total</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>$9,167,559,540</td>
<td>$650,445</td>
<td>$362,055,316</td>
<td>$9,530,265,301</td>
<td>6.1%</td>
</tr>
<tr>
<td>2008-09</td>
<td>9,654,358,349</td>
<td>1,801,713</td>
<td>374,547,995</td>
<td>10,030,708,057</td>
<td>5.25</td>
</tr>
<tr>
<td>2009-10</td>
<td>9,717,456,011</td>
<td>1,801,713</td>
<td>397,587,589</td>
<td>10,116,845,313</td>
<td>0.86</td>
</tr>
<tr>
<td>2010-11</td>
<td>9,635,743,545</td>
<td>1,801,713</td>
<td>383,124,629</td>
<td>10,020,669,887</td>
<td>(0.95)</td>
</tr>
<tr>
<td>2011-12</td>
<td>9,704,099,832</td>
<td>1,801,713</td>
<td>383,320,527</td>
<td>10,089,222,072</td>
<td>0.68</td>
</tr>
</tbody>
</table>

*Source: California Municipal Statistics, Inc.*

The following table shows historical tax rates in a typical tax rate area of the City (Tax Rate Area 8-000) for the past five fiscal years.

**CITY OF SAN RAFAEL**
Typical Tax Rate per $100 Assessed Value (TRA 8-000) (1)
Fiscal Years 2007-08 through 2011-12

<table>
<thead>
<tr>
<th>Year</th>
<th>General Tax Rate</th>
<th>San Rafael School District</th>
<th>San Rafael High School District</th>
<th>Marin Community College District</th>
<th>Total Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>1.0000</td>
<td>0.0414</td>
<td>0.0244</td>
<td>0.0163</td>
<td>1.0821</td>
</tr>
<tr>
<td>2008-09</td>
<td>1.0000</td>
<td>0.0421</td>
<td>0.0242</td>
<td>0.0042</td>
<td>1.0705</td>
</tr>
<tr>
<td>2009-10</td>
<td>1.0000</td>
<td>0.0431</td>
<td>0.0254</td>
<td>0.0192</td>
<td>1.0877</td>
</tr>
<tr>
<td>2010-11</td>
<td>1.0000</td>
<td>0.0474</td>
<td>0.0279</td>
<td>0.0136</td>
<td>1.0889</td>
</tr>
<tr>
<td>2011-12</td>
<td>1.0000</td>
<td>.0474</td>
<td>.0268</td>
<td>.0175</td>
<td>.0917</td>
</tr>
</tbody>
</table>

(1) 2011-12 Assessed Valuation of TRA 8-000 is $4,349,985,188, which is 43.12% of the City’s total assessed valuation.
Source: California Municipal Statistics, Inc.
The following table lists the top 20 local secured taxpayers in the City of San Rafael for fiscal year 2011-12.

CITY OF SAN RAFAEL
Top 20 Local Secured Taxpayers
Fiscal Year 2011-12

<table>
<thead>
<tr>
<th>Property Owner</th>
<th>Primary Land Use</th>
<th>2011-12 Assessed Valuation</th>
<th>% of Total (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SR Corporate Center Phase One &amp; Two LLC</td>
<td>Commercial</td>
<td>$150,556,395</td>
<td>1.55%</td>
</tr>
<tr>
<td>2. Northgate Mall Associates</td>
<td>Commercial</td>
<td>128,055,911</td>
<td>1.32%</td>
</tr>
<tr>
<td>3. Corac LLC</td>
<td>Commercial</td>
<td>60,333,922</td>
<td>0.62%</td>
</tr>
<tr>
<td>4. Sutter Health</td>
<td>Commercial</td>
<td>48,659,081</td>
<td>0.50%</td>
</tr>
<tr>
<td>5. Robert Dickson, Trust</td>
<td>Commercial</td>
<td>44,303,303</td>
<td>0.46%</td>
</tr>
<tr>
<td>6. Northbay Properties II</td>
<td>Apartments</td>
<td>41,269,164</td>
<td>0.43%</td>
</tr>
<tr>
<td>7. Marin Sanitary Service</td>
<td>Commercial</td>
<td>38,636,950</td>
<td>0.40%</td>
</tr>
<tr>
<td>8. Bay Apartment Communities Inc.</td>
<td>Apartments</td>
<td>35,800,438</td>
<td>0.37%</td>
</tr>
<tr>
<td>9. Rafael Town Center Investors LLC</td>
<td>Commercial</td>
<td>34,802,760</td>
<td>0.36%</td>
</tr>
<tr>
<td>10. MHV Joint Venture</td>
<td>Commercial</td>
<td>34,128,856</td>
<td>0.35%</td>
</tr>
<tr>
<td>11. BIT Holdings Forty-Five Inc.</td>
<td>Commercial</td>
<td>32,671,954</td>
<td>0.34%</td>
</tr>
<tr>
<td>12. 4040 Civic Center LLC</td>
<td>Commercial</td>
<td>31,000,000</td>
<td>0.32%</td>
</tr>
<tr>
<td>13. BRE Property Investors LLC</td>
<td>Apartments</td>
<td>29,244,836</td>
<td>0.30%</td>
</tr>
<tr>
<td>14. Marin Newco LLC</td>
<td>Apartments</td>
<td>27,451,792</td>
<td>0.28%</td>
</tr>
<tr>
<td>15. BRCP Civic Center Drive LLC</td>
<td>Commercial</td>
<td>26,324,898</td>
<td>0.27%</td>
</tr>
<tr>
<td>16. Casco Properties</td>
<td>Apartments</td>
<td>25,823,002</td>
<td>0.27%</td>
</tr>
<tr>
<td>17. Regency Center II Associates LP</td>
<td>Commercial</td>
<td>24,179,114</td>
<td>0.25%</td>
</tr>
<tr>
<td>18. Home Depot USA Inc.</td>
<td>Commercial</td>
<td>23,426,021</td>
<td>0.24%</td>
</tr>
<tr>
<td>19. Professional Investors Security Funds</td>
<td>Apartments</td>
<td>23,245,679</td>
<td>0.24%</td>
</tr>
<tr>
<td>20. Jonathan Parker</td>
<td>Commercial</td>
<td>21,568,456</td>
<td>0.22%</td>
</tr>
</tbody>
</table>

(1) 2011-12 Local Secured Assessed Valuation: $9,704,099,832.
Source: California Municipal Statistics, Inc.

State Legislative Shift of Property Tax Allocation. See “State Budget and its Impact on the City” below for information about property tax shifts by the State.

Other Taxes

Transactional/Use Tax (Measure S). Transactional/Use Tax (Measure S) revenues contributed approximately 11.5% to the City’s fiscal year 2010-11 General Fund revenues. In November 2005, the voters in the City approved a 0.5% transaction and use tax, to help maintain essential City services. The tax took effect on April 1, 2006, and the first full year of receipts were received in fiscal year 2006-07. All proceeds of the tax are required to be deposited into the City’s General Fund to be used for all general municipal governmental purposes at the City’s discretion. The tax automatically expires in 2017.

Franchise Tax. The City’s Franchise Tax (which generated $2,990,539, 5.6% of General Fund revenues in fiscal year 2010-11) is imposed on the distribution and sales of public utility services. City Charter Article XIV provides regulations concerning franchised agencies and businesses. Currently, the City charges PG&E a franchise fee of 1% for gas and 0.50% for electricity. The local cable provider, Comcast, pays a 5% franchise fee on a quarterly basis to Marin Telecommunications Authority ("MTA"). Under a formation agreement, MTA deducts its budget cost from the received franchise fees and remits the net to each agency based on relative cable TV subscribers. Marin Sanitary Service collects and remits a 10% refuse fee for
the privilege of being the sole waste hauler for the City. Under Article XIIIIC of the California Constitution, the rates can only be increased by a vote of the City residents.

**Business License Tax.** The Business License Tax generated $2,296,460, approximately 4.3% to the City’s fiscal year 2010-11 General Fund revenues. A Business License Tax is imposed on all business for the privilege of conducting business within the City. Most retail, wholesale, professional and service industries pay this tax on a gross receipts basis. A small portion of businesses pay a tax rate based upon the number of employees. Apartments pay a tax based upon the number of rental units. The Business License Tax rates are identified in Municipal Code Section 10.04, subject to indexing for inflation.

**Transient Occupancy Tax.** The City’s Transient Occupancy Tax contributed $1,644,262, approximately 3.1% to the City’s fiscal year 2010-11 General Fund revenues. A Transient Occupancy Tax is imposed on occupants of hotels, inns, motels and other lodging facilities unless such occupancy is for a period of 30 or more days. The tax is applied to the customer’s lodging bill. Taxes are remitted to the City either monthly or quarterly for all approved lodging operations. The current Transient Occupancy tax rate is 10%. It was last modified in 1988.

**Property Transfer Tax.** The Property Transfer Tax (which generated 1.5% of General Fund revenues in fiscal year 2010-11) is imposed on any conveyance of real property when a change in deed is filed with the County. The City’s Property Transfer Tax regulations are set forth in Municipal Code Section 3.22. The tax is imposed at the rate of $2 for each $1,000 or fractional part of $1,000 of value. Any increase in rates would require voter approval pursuant to Proposition 218.

**State Budget and its Impact on the City**

Set forth in the following paragraphs are descriptions of the State budget process, the current State budget situation, and the potential impacts on the City.

**The Budget Process.** Through the State budget process, the State can enact legislation that significantly impacts the source, amount and timing of the receipt of revenues by local agencies, including the City. As in recent years, State budget deficits can result in legislation that adversely impacts local agency budgets.

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. Prior to the November 2, 2010 California General Election, the Budget Act required approval by a two-thirds majority vote of each House of the Legislature. On the November 2, 2010, California voters passed Proposition 25, which amended this legislative vote requirement to a simple majority. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. 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 and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

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.

**Recent State Budgets.** 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 Reoffering Circulars 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 has not been reviewed by the City and is not incorporated in this Official Statement by reference.

- The California State Treasurer Internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading “Bond Information,” posts various State of California Reoffering Circulars, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on local governments in the State.

- The California State Treasurer's Office Internet home page at [www.treasurer.ca.gov](http://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 Reoffering Circular, which discusses the State budget and its impact on local agencies in the State.

- The California Department of Finance’s Internet home page at [www.dof.ca.gov](http://www.dof.ca.gov), under the heading “California Budget,” includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst's Office ("LAO") 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](http://www.lao.ca.gov) under the heading "Products."

*The State has not entered into any contractual commitment with the City or the owners of the Notes to provide State budget information to the City or the owners of the Notes. Although the City believes the State sources of information listed above are reliable, the City assumes not responsibility for the accuracy of the State budget information set forth or referred to in this Official Statement.*

**Tax Shifts and Triple Flip.** Assembly Bill No. 1755 ("AB 1755"), introduced March 10, 2003 and substantially amended June 23, 2003, requires the shifting of property taxes between
redevelopment agencies and schools. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the required shift away from the Education Revenue Augmentation Fund ("ERAF") to $135 million. Legislation commonly referred to as the "Triple Flip," was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip," one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction are redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local governments, the legislation then redirects property taxes in the ERAF to local governments. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other State general fund revenues. The swap of sales taxes for property taxes will terminate once the deficit financing bonds are repaid, which is currently expected to occur by 2016.

**State Economic Challenges, Prior Year State Budgets and Related Events.** The City's budget has, generally, been revised after the delivery of delayed State Budgets to reflect necessary changes in budgeted revenues and expenditures. Delays in the delivery of State budgets cause an element of uncertainty for the City and its Finance Department. Delayed payments from the State to the City, which are more common during periods in which the State faces economic challenges, also subject the City to additional risk, possibly causing the City to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year, with concurrent, market-contingent, borrowing costs for the City.

Since the beginning of 2010, the nation and the State have been gradually recovering from the worst recession since the Great Depression. National economic output has grown slowly as has personal income in both the State and the nation, and job growth has resumed. However, because of the magnitude of the economic displacement resulting from the recession, the State continues to face significant financial challenges, and related budgetary stresses. Exacerbating the State's challenges, as the State entered the recession, annual revenues generally were less than annual expenses, resulting in a "structural" budget deficit. This structural deficit was due in part to overreliance on temporary budgetary remedies in prior State Budget years, including one-time revenues, internal borrowing, payment deferrals, accounting shifts and expenditure reduction proposals that did not materialize.

Moreover, in recent years, the State's then-seated Governors and State Legislatures have repeatedly failed to deliver a timely State budget. The Governor signed the 2010-11 Budget on October 8, 2010, the latest budget in the State's history. Prior to signing this 2010 State Budget, and as a consequence of the State's ongoing budget deficit and financial challenges, Governor Arnold Schwarzenegger undertook several extraordinary and controversial fiscal measures. On July 1, 2010, Governor Schwarzenegger reduced over 200,000 employees' pay to the federal minimum wage until the then-ongoing budget impasse ended. The State Controller refused to pay employees at this minimum wage level, and, on July 16, 2010, a Sacramento County Superior Court judge denied the Governor's administration's request for a temporary restraining order that would have forced the State Controller to begin such payment.

Thereafter, on July 28, 2010, Governor Schwarzenegger declared a financial state of emergency and ordered 150,000 State workers to take three furlough days per month. On August 23, 2010, in an effort to conserve cash and delay the need to issue State promissory...
notes for payment of the State's accounts, State officials elected to delay payments of $2.5 billion per month to the State's public school districts, for the months of September through December 2010. This occurred after a prior $2.5 billion deferral in July 2010.

On August 18, 2010, the California Supreme Court issued a stay of a temporary restraining order of the Alameda County Superior Court issued, which would have prohibited the Governor from imposing the three furlough days on State workers. As a result of the stay, furloughs of State workers were to continue until arguments in a larger case regarding their legality could be heard. On August 25, 2010, the Sacramento County Superior Court scheduled a hearing for November 2010 to consider the merits of the State Controller's refusal to lower pay. Despite all of these extraordinary actions and events, the 2010 legislative session ended on August 31, 2010 with all then-proposed budget plans failing to be approved by the Legislature, on party-line votes.

On October 4, 2010, the California Supreme Court upheld the Governor's authority to furlough State workers when there is no budget in place. The Legislature passed the $87.5 billion 2010-11 Budget on the morning of October 8, 2010, over 100 days late, and Governor Schwarzenegger signed it that night, exercising his line-item veto authority to reduce spending by $963 million in order to raise the reserve level from $375 million to $1.3 billion. Total 2010-11 State Budget expenditure reductions were $8.4 billion, assuming federal funds of $5.4 billion and other solutions of almost $5.5 billion. The 2010-11 State Budget included pension reform measures, suspension of the Proposition 98 minimum guaranty to provide $49.7 billion in spending on K-14 Education in 2010-11 with related settle-up measures, personnel cost reductions from savings from recent agreements with unions and reductions and the extension of a temporary suspension of businesses' ability to use net operating losses to reduce tax liabilities.

In light of such a tumultuous 2010 State Budget process, on November 2, 2010, State voters approved Propositions 22, 25 and 26 of 2010. Proposition 22 amended the State's Constitution to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, or local government projects and services. Proposition 22 also prevents the State from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. Proposition 22 is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes.

Proposition 25 lowered the vote threshold for lawmakers to pass the State Budget from two-thirds to a simple majority. Proposition 26 requires a two-thirds affirmative vote in the State Legislature and local governments to pass many fees, levies, charges and tax revenue allocations that under previous rules could be enacted by a simple majority vote.

On January 3, 2011, Edmund G. Brown Jr. was sworn in as Governor. Governor Brown has, generally, taken a more aggressive approach in his budget plans to significantly cut State spending, to raise State revenues and to cause the State to become less reliant upon one-time savings and borrowing measures. The Governor's 2011-12 Proposed Budget relied on a plan to submit to the voters at a special election in June 2011 a 5-year extension of the temporary sales tax, income tax, and vehicle license fee increases and maintaining a lower dependent exemption credit that was set to expire on June 30, 2011. The 2011-12 Proposed Budget also included $8.2 billion in one-time savings and borrowing. The Governor proposed to restructure the state-local relationship by shifting funding and responsibility to local government for certain
services, resulting in a shift of an aggregate amount of $5.9 billion in State program costs to counties. The Governor also proposed eliminating redevelopment agencies.

The 2011-12 Proposed Budget additionally included expenditure reductions that touched nearly every area of the State budget. Proposed reductions included cuts of $1.7 billion to Medi-Cal, $1.5 billion to California's welfare-to-work program, $1 billion to the University of California and California State University, $750 million to the Department of Developmental Services, and $580 million to state operations and employee compensation. Although the Governor's revenue proposals resulted in a $2 billion increase in the Proposition 98 minimum funding guarantee for schools above the current-law level, the 2011-12 Proposed Budget would have resulted in a small funding decline for K-12 and more significant reductions for community colleges and childcare programs.

The Governor called the Legislature to refer the proposed re-instatement of temporary tax increases described above to a statewide special election in June 2011, in an attempt to gain voter approval for the Governor's proposed increases. However, on March 31, 2011, the deadline for initiating such a special election passed without an agreement in the Legislature about whether to put such a re-instatement measure on the ballot. In March 2011, the Legislature did pass a package of bills resulting in $11 billion in cuts and other solutions, including $5.5 billion in cuts to health and human services, $1.2 billion in cuts to the University of California and California State University systems, $2.2 billion in transportation debt service and other reductions, $531 million in revenue proposals and $2.8 billion in loans and transfers and other solutions.

Following revision of the 2011-12 Proposed Budget and further analysis, on June 15, 2011, the Legislature, with Democrats representing a majority thereof, passed a series of bills, including two budget bills without Republican support. On June 16, 2011, Governor Brown vetoed both budget bills. A series of trailer bills to the budget bills, including a set of bills that would redirect funds away from or terminate the existence of redevelopment agencies (ABx1 27 and ABx1 26, respectively), were passed by the Legislature and signed by the Governor.

On June 28, 2011, the Legislature passed an $86 billion General Fund State Budget that closed the State's remaining $9.6 billion deficit. The 2011-12 Budget relied on $4 billion of additional revenue, which if not realized, would automatically trigger further cuts to universities, welfare, and schools (the "Trigger Cuts"). The 2011-12 Budget was also premised on $2.8 billion in deferrals to K-12 schools and community colleges and $1.7 billion to be directed from redevelopment agency funds pursuant to ABx1 27. The University of California and California State University funding allocations were cut by $150 million each, and state courts also faced significant cuts. $650 million in new revenues was anticipated to come from enforcement of sales taxes collected by online merchants, rural fire fees, and a $12 car registration fee increase. Governor Brown signed the budget on June 30, 2011.

As noted above, on May 16, 2011, at the time the Governor issued the May Revision of his proposed 2011-12 budget, the Governor asked the State Legislature to act by the end of June 2011 and the voters to ratify in November 2011 the extension of then-current sales tax and vehicle license fee rates and the dependent credit tax exemption level for the following five years. These tax extensions were neither submitted to the voters nor approved. On December 13, 2011, Governor Brown announced that the State would initiate the majority of the Trigger Cuts, cutting nearly $1 billion from the 2011-12 Budget from education, school busing, childcare, health programs, public safety and library programs, due to a $2.2 billion shortfall in projected revenue. Effective February 1, 2012, a cut to general revenue limit funding for K-12 school
districts totaling $79.6 million was implemented. On February 10, 2012, the Governor signed California Senate Bill 81, restoring K-12 school bus service funding for the remainder of the 2011-12 school year.

Also as also noted above, the 2011-12 State Budget included a set of bills that provided for $1.7 billion in additional payments from communities with redevelopment agencies to fund school expenditures (ABx1 27) and that restricted redevelopment agency actions to create new debt (ABx1 26) and that then will dissolve them (ABx1 26). Under the legislation, communities had until October 2011 to opt into the payments under ABx1 27, or the redevelopment agencies became subject to the dissolution provisions of ABx1 26. On July 18, 2011, California Redevelopment Assoc. v. Matosantos was filed in the first instance in the California Supreme Court. In this action, the California Redevelopment Association (“CRA”) requested the Court to nullify ABx1 26 and ABx1 27 (principally on the grounds that the bills violate Proposition 22 of the State Constitution) and to stay the effectiveness of the two bills. On December 29, 2011, the Supreme Court issued its decision in this case, ruling that ABx1 26 was constitutional and ABx1 27 was not. Redevelopment agencies faced a deadline of February 1, 2012 to cease operations and dismantle, and no additional payments from communities with redevelopment agencies to fund school expenditures are constitutionally permissible. The CRA, together with the California League of Cities, counties and cities, was not successful in lobbying the Legislature to delay the February 2012 deadline. As a consequence of the California Redevelopment Assoc. v. Matosantos decision, both the 2011-12 State Budget and the City's Budget for fiscal year 2011-12 and future years may be revised.

The execution of the 2011-12 State Budget may be affected by national and State economic conditions and other factors, possibly causing the revenue projections made in the 2011-12 State Budget to fall short. The City cannot predict the impact that the 2011-12 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 fiscal year 2011-12 State Budget.

2012-13 State Budget. Set forth below is a summary of the 2012-13 State Budget and budget process.

Initial LAO Report on Fiscal Year 2012-13. In its initial report for fiscal year 2012-13, the LAO forecasted that the State’s general fund revenues and expenditures would show a budget deficit of $12.8 billion, consisting of a $3 billion projected deficit for fiscal year 2011-12 and a $9.8 billion gap between projected revenues and spending for fiscal year 2012-13. A significant decrease in the State general fund budget deficit from the prior year was calculated assuming that $2 billion of trigger cuts to various state programs contained in the provision of the 2011-12 budget will be implemented and maintained through the forecast period. The LAO projected that the State will continue to face annual operating shortfalls of between $8 billion and $9 billion per year in 2013-14 and 2014-15, and then such shortfalls will decline gradually to about $5 billion in 2016-17. The LAO noted that the remaining work of eliminating the State’s persistent, annual deficit will require more difficult cuts in expenditures and/or increases in revenues, and it recommended that the Legislature and the Governor (i) strive to eliminate the State’s ongoing annual budget deficit this year or over the course of the next few years (ii) then focus efforts upon the serious long-term fiscal issues of the State’s accumulated budgetary obligations and unfunded retirement liabilities.

Proposed Budget acknowledged a $9.2 billion budget deficit, consisting of an $4.1 billion deficit that would remain at the end of fiscal year 2012-13 (absent budgetary action), and a $5.1 billion shortfall between current-law revenues and expenditures in 2012-13, with a proposed reserve of $1.1 billion. The 2012-13 Proposed Budget relies on a plan to submit to the voters at a regular election in November 2012 a $6.9 billion tax increase, including a higher rate for personal income over $250,000 and a half-cent sales tax hike. If the voters do not approve such revenue-raising measures, the 2012-13 Proposed Budget specifies $5.4 billion in additional trigger cuts affecting funding for each of: schools and community colleges ($4.8 billion cut, likely eliminating three weeks of instruction from the school year), the University of California and California State University ($200 million cut), State courts ($125 million cut, equivalent to court closures of three days per month), Parks and Recreation and Fish and Game (number of safety officers and lifeguards decreased), Forestry and Fire Prevention (substantial reduction in firefighting capability and emergency air response program, closure of fire stations), Department of Water (flood control programs cut) and Department of Justice (law enforcement programs reduced).

The 2012-13 Proposed Budget includes additional expense reducing measures as follows: Changes to CalWORKs and subsidized child care to, among other things, reduce assistance to families not meeting work requirements. ($1.4 billion reduction), merging service delivery for those who are eligible for both Medi-Cal and Medicare ($842 million reduction), eliminating In-Home Supportive Services in shared living arrangements. ($164 million reduction), eliminating supplemental funding for schools associated with the elimination of the sales tax on gasoline ($544 million reduction), reducing grants for students of private institutions ($302 million reduction), suspending state mandates on local governments ($828 million reduction) and expanding the alternative custody program for female prison inmates (millions of dollars reduced in future years). The 2012-13 also includes continuation of the use of weight fees to offset future State general fund costs connected with transportation expenses ($350 million savings) and a one-time shift of monies from the State's Unemployment Compensation Disability Fund to pay the federal government for interest costs on the State's outstanding Unemployment Insurance loan.

Additionally, concurrently with the 2012-13 Proposed Budget, the Governor has proposed a constitutional amendment, to be submitted to the voters at the November 2012 general election, to secure funding for local governments so they can provide public services recently shifted to them under the State's "realignment" plan. Voter approval of such an amendment might give the State less budget flexibility, but could also strengthen local support for current and additional realignment.

January 11, 2012 LAO Report. An LAO report dated January 11, 2012 stated that the 2012-13 Proposed Budget were reasonable, and either of (i) the proposed multiyear tax increases and significant reductions in social services and subsidized child care programs or (ii) larger cuts, aimed largely at schools, move the State budget much closer to balance over the next several years. However, the LAO noted that its revenue estimates—including estimates of state revenue gains from the Governor's proposed tax raising initiatives—are lower than the Governor's and that if LAO estimates are correct, the Legislature will have to pursue billions of dollars more in budget-balancing solutions. The LAO was supportive of major restructuring of the school finance system, community college categorical funding, and education mandates, but suggested that alternatives to reforms in the CalWORKs program should be considered. The LAO further encouraged caution in setting the size of the trigger cuts; determining the specific education reductions to impose; and designing tools to help schools, community colleges, and universities respond to the trigger cuts.
February 17, 2012 LAO Report. An LAO report dated February 27, 2012 found California’s economy to be clearly improving in many ways, including employment growth. However, significant impediments block the State's path to a more robust recovery from the economic downturn. Predicting State revenues has also become more difficult due to recent weakness in income tax payments accompanied by speculation concerning a future bonanza of tax revenues due to the possible initial public offering of stock by Facebook, Inc. The LAO report predicts that the Legislature and the Governor will have to identify additional budgetary solutions to bring the 2012-13 State spending plan into balance; the amount of such solutions will depend on how economic improvement affects the Proposition 98 minimum guarantee for schools and community colleges and on analysis of tax payments received in April 2012 (when those become due).

May Revision. Under California law, in May of each year the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts (the "May Revision"). On May 14, 2012, Governor Brown issued his proposed May Revision of the 2012-13 State Budget. The May Revision estimated that the State budget deficit had increased from $9.2 billion to $15.7 billion, and predicted that, absent actions to eliminate the State's structural deficit, the State would face approximately an $8 billion budget shortfall each year. The increase in the amount of the State budget deficit was attributed to an overly optimistic forecast of revenue to be received by April 2012 (which is tied to an ongoing modest economic recovery), year-over-year increases in Proposition 98 funding for K-14 education, and the U.S. Federal Government and certain courts rejecting certain cuts proposed in the Governor's initial State Budget. The May Revision proposed $16.7 billion in aggregate budget balancing measures and to build a $1 billion reserve. Under the May Revision, forthcoming budgets would be balanced on an ongoing basis, thereby enabling the State to pay down $33 billion in outstanding borrowing that has accumulated since 2002. The May Revision suggests that the State's outstanding debt could be reduced to $6.6 billion by the end of fiscal year 2015-16.

Generally, the May Revision identified several billion dollars of additional expenditure reductions. To bridge the State budget gap, the Governor proposed an additional $4.1 billion in spending reductions, including (i) shifting of the source of payment for local trial courts, (ii) implementing various reductions to hospital, nursing home and in home care funding, (iii) establishing standards for participation in the Cal Grant Program, (iv) reducing the cost of state employee compensation by 5% through a reduced workweek or a commensurate reduction in work hours and pay, (v) transferring cash assets previously held by redevelopment agencies to cities, counties and special districts to fund core public services, (vi) using proceeds from the National Mortgage Settlement to offset existing State general fund costs, and (vii) making various other adjustments.

The May Revision also assumes passage of the Governor's proposed revenue-generating initiatives at the November 2012 election, which are now expected to generate more tax revenue than those initiatives included in the original 2012-13 budget plan. The Governor's measures increase the personal income tax on the State's highest income generating taxpayers for seven years and increase the State sales tax by 0.25% for four years, guaranteeing the revenue generated thereby will be allocated to schools. If the Governor's measures were to fail, the May Revision provides for an additional $6.1 billion in revised Trigger Cuts, effective January 1, 2013, which are to include, a $5.5 billion reduction in funding for schools and community colleges (equivalent to the cost of three weeks instruction), $250 million reductions to each of the University of California and California State University, and reductions to numerous public safety programs. The May Revision also notes that, even assuming passage
of the Governor's measures, the State may face long-term cost increases that could take future budgets out of balance, including, but not limited to, costs associated with actions to reduce the Federal deficit, Federal government and court decisions, the pace of economic recovery, an aging population and rising health care costs.

Among the proposals contained in the May Revision are further changes to ABx1 26. To facilitate the recapture and distribution of redevelopment agencies liquid assets, the May Revision proposes legislative changes that (i) set deadlines for successor agency asset transfer and distribution and (ii) authorize reductions of local sales and property tax revenues from agencies not complying with the Department of Finance and State Controller's Office orders regarding redevelopment agencies liquid assets.

According to draft "trailer bill" legislation available from the Department of Finance website, among other things ABx1 26 is proposed to be amended to allow the County Auditor-Controller, the State Department of Finance and the State Controller to require the return of funds improperly spent or transferred to a public entity in conflict with the provisions of ABx1 26 and, if funds are not returned within 60 days, the funds may be recovered through an offset of sales and use tax or property tax allocations to the local agency.

As it relates to the City, the City does not believe it has received material amounts from the former redevelopment agency which may be asserted to be in violation of ABx1 26, even if the trailer bill provisions are adopted substantially as proposed.

**May 18, 2012 LAO Report.** An LAO report dated May 18, 2012 found the Governor's May Revision economic and revenue forecasts to be reasonable. However, the LAO noted its concern that the Governor's budgets evidence regular overstatement of property tax revenues from former Redevelopment Agencies available for distribution to schools in 2011-12 and 2012-13. The LAO notes that this causes the State's budget deficits to be understated by approximately $900 million annually because lower property tax revenues would increase the State's "workload budget" Proposition 98 obligations. The May Revision relies upon, in part, an expedited transfer of Redevelopment agencies' liquid assets (cash) to local governments, including schools and community college districts, generating a $1.4 billion State General Fund benefit in 2012-13 and $600 million benefit in 2013-14 by thereby reducing the State's General Fund Proposition 98 obligations. The LAO notes that the Governor's estimate of liquid assets is subject to considerable uncertainty and that it is more likely that schools will receive significantly lower amounts than projected in 2012-13 (thereby generating a far smaller State General Fund benefit). The LAO further notes that lawsuits may delay distribution of former Redevelopment agency funds. The LAO urges the State to address two key budgetary goals: (1) retiring the accumulated deficit of recent years, now estimated by it to be $7.6 billion, via measures which might include one-time actions, and (2) making additional progress on reduction of the State's structural (ongoing annual operating) deficit, now estimated by it to be approximately $10 billion, via measures which should include multiyear or permanent reductions in program spending, with revenue increase and reductions in tax expenditures. Finally, the LAO notes that there are particularly strong reasons for the State to focus on adopting realistic budgetary solutions, including, but not limited to, uncertain federal fiscal policies, difficulties in forecasting recent corporation tax policy changes, stock market volatility and the one-time event of the Facebook, Inc. initial public offering.

**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 will be affected by national and state economic conditions and
other factors over which the City has no control. 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. Decrease in such revenues may have an adverse impact on the City's ability to pay the Notes.

Information about State budgets is regularly available at various State-maintained websites. See: www.dof.ca.gov, under the heading “California Budget.” Additionally, an impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by these references.

Retirement System

Marin County Employees’ Retirement Fund. The City participates in the Marin County Employees’ Retirement Fund (the “Fund”). All full-time and permanent part-time employees who work at least 75% of a full-time position are eligible to participate. The Fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local governmental agencies within the County. The Fund provides retirement, disability and death benefits based on the employee’s years of service, age, and final compensation.

Under the City’s plan, employees vest after five years of service and are eligible to receive benefits after 10 years of service and having attained the age of 50; or 30 years of service (20 years for safety employees) regardless of age. These benefit provisions and all other requirements are established under the County Employee’s Retirement Law of 1937.

The funding policy of the Fund provides for actuarially determined periodic contributions by the City at rates such that sufficient assets will be available to pay Fund benefits when due. The City contributed 52.68% and 68.91% of payroll to the Fund for police and fire personnel, respectively, and 34.90% for other covered employees for the year ended June 30, 2011.

The City’s annual cost for the Fund for fiscal years 2008-09, 2009-10 and 2010-11 was $13,746,154, $12,745,613 and $15,409,519, respectively, which was equal to the City’s required and actual contributions.

The annual required contribution was determined as part of the actuarial study performed as of June 30, 2010. The employer rates for normal cost is determined using the Entry Age, projected cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued. The significant assumptions used in the 2010 actuarial valuation include an assumed rate of return on invested assets of 7.75%, annual payroll increases reflecting 3.5% for inflation and an approximate range of 0.50% to 8.00% for merit and longevity. The actual rate of return on investments was a gain of 8.2%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a period of five years. The Association also uses the level percentage-open method to amortize the unfunded actuarial liability which was revised to sixteen years level in the amortization period. It is assumed that payroll will increase at an annual inflation rate of 4.00% over the amortization period.
The Plan's actuarial value (which differs from market value) and funding progress over the most recent five years available is shown in the table below.

**Funded Status of the**

**City's Defined Benefit Pension Plan (Fire, Safety, Miscellaneous)**

**(Dollars in thousands)**

<table>
<thead>
<tr>
<th>Valuation Date (June 30)</th>
<th>Actuarial Value of Assets</th>
<th>Actuarial Accrued Liability (AAL)</th>
<th>Excess/(Deficit) as a percentage of Payroll</th>
<th>Annual Covered payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$235,756</td>
<td>$325,219</td>
<td>(277)%</td>
<td>$30,180</td>
</tr>
<tr>
<td>2008</td>
<td>262,677</td>
<td>360,298</td>
<td>306</td>
<td>31,854</td>
</tr>
<tr>
<td>2009</td>
<td>239,841</td>
<td>379,801</td>
<td>432</td>
<td>32,413</td>
</tr>
<tr>
<td>2010</td>
<td>248,500</td>
<td>394,889</td>
<td>483</td>
<td>30,320</td>
</tr>
<tr>
<td>2011</td>
<td>259,000</td>
<td>412,700</td>
<td>485</td>
<td>31,700</td>
</tr>
</tbody>
</table>


**Actuarial Review and Analysis as of June 30, 2011.** The City recently received an Actuarial Review and Analysis as of June 30, 2011, dated March 29, 2012, which was prepared by EFI Actuaries, San Francisco, California for MCERA. Assumptions used in the report include (but are not limited to): all assets and liabilities are computed as of June 30, 2011, an annual rate of return on all plan assets of 7.50%, net of investment and administrative expenses, a cost of living adjustment ("COLA") as measured by the Consumer Price Index of 3.25% per year (different percentages are used for retiree COLAs), and projected salary increases of 3.75-8.25%.

According to the Actuarial Report, as of June 30, 2011, the City had total plan membership of 942 with an average pay of $87,810, assets for purposes of the valuation of $259.0 million (market value of $264.4 million), an actuarial accrued liability of $412.7 million, and an UAAL of $153.8 million. The employer contribution rate was 54.16% of annual payroll, comprised of 16.59% for normal costs and 37.56% for amortization of unfunded liability. The funded ratio was 62.7% using valuation assets, and 64.1% using the market value of assets.

**Public Agency Retirement System.** The City also contributes to the Public Agency Retirement system ("PARS"), a defined contribution retirement plan, which provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's accounts are determined (instead of specifying the amount of benefits the individual is to receive).

All eligible non-represented employees of the City will become participants in PARS from the date they were hired. An eligible employee is any employee who, at any time during which the City maintains this plan, is not accruing a benefit under the Plan discussed above. As determined by PARS, each participating employee must contribute 3.75% of gross earnings to PARS. The City contributes an additional 3.75% of the employee's gross earnings.

During fiscal years 2008-09, 2009-10 and 2010-11, the City and employees contributed $71,156, $60,216 and $69,256, respectively. The total covered payroll of employees participating in PARS as of June 30, 2011 was $11,846,827, out of a total City payroll of $37,248,008.
401(a) Tax Qualified Plan. In addition, the City participates in a 401(a) tax qualified plan for eligible non-represented management/mid-management employees. This is an employer-only contribution program separate from the Plan discussed above. The City Manager, as Plan Administrator, annually determines the percent amount of contribution which can range from 0% to 5% of base salary of eligible employees. During fiscal years 2008-09 through 2010-11, the City contributed $146,524, $138,629 and $140,271, respectively, to this plan on behalf of eligible employees.

Post-Employment Health Benefits

In April 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." Statement No. 43 establishes uniform financial reporting standards for postemployment healthcare and other nonpension benefits ("OPEB") plans. The approach followed in Statement No. 43 is generally consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. Statement No. 43 became effective for the City’s OPEB Plans for the fiscal year ending June 30, 2009.

In addition, in June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to OPEB. Statement No. 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Statement No. 45’s provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial accrued liability is required to be amortized over future periods. Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Statement No. 45 became effective for the City’s fiscal year ending June 30, 2009.

The City provides certain health care benefits for retired employees and their spouses. Substantially all of the City’s employees may become eligible for these benefits if they are receiving a retirement benefit from the Plan discussed above within 120 days of retirement from City employment. At June 30, 2011, 298 retirees and surviving spouses received these benefits.

The cost of these retiree health care benefits is recognized as an expenditure as claims are paid. The annual required contribution was determined as part of a June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. For fiscal year 2010-11, the amount contributed by the City totaled $1,648,000, which represents 41% of the annual required contribution ($3,868,000).
The following schedule presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from a June 30, 2010 actuarial study is presented below:

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Plan Assets (000s omitted)</th>
<th>Actuarial Accrued Liability (000s omitted)</th>
<th>Unfunded Accrued Liability (000s omitted)</th>
<th>Funded Ratio</th>
<th>Covered Payroll (000s omitted)</th>
<th>Overfunded (Underfunded) Actuarial Liability as % of Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2007</td>
<td>$14,563</td>
<td>$56,624</td>
<td>$(42,061)</td>
<td>26%</td>
<td>$38,480</td>
<td>(109.31)%</td>
</tr>
<tr>
<td>8/17/2010</td>
<td>12,763</td>
<td>58,909</td>
<td>(46,146)</td>
<td>22</td>
<td>36,470</td>
<td>126.53</td>
</tr>
</tbody>
</table>

The following schedule presents trend information about the City's net OPEB obligation (the difference between the ARC and actual contributions):

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Annual Required Contribution (ARC) (000s omitted)</th>
<th>Annual Pension Cost (000s omitted)</th>
<th>Actual Contribution of ARC (000s omitted)</th>
<th>Percentage of ARC Contributed</th>
<th>Net OPEB Obligation (000s omitted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2009</td>
<td>$4,269</td>
<td>$4,269</td>
<td>$2,236</td>
<td>52%</td>
<td>$2,033</td>
</tr>
<tr>
<td>6/30/2010</td>
<td>4,390</td>
<td>5,576</td>
<td>1,344</td>
<td>31%</td>
<td>6,265</td>
</tr>
<tr>
<td>6/30/2011</td>
<td>4,025</td>
<td>3,868</td>
<td>1,648</td>
<td>41%</td>
<td>8,485</td>
</tr>
</tbody>
</table>

See Appendix C, Note 12 for information more about the City's Post-Employment Health Benefit liabilities.

The City recently received a June 30, 2011 GASB Actuarial Valuation from Bartel Associates LLC dated May 17, 2012. Assumptions used in the report include (but are not limited to): all assets and liabilities are computed as of June 30, 2011, an inflation rate of 3.25 and an asset rate of return of 7.50%, payroll increases of 3.25% (aggregate) and merit increases consistent with the June 30, 2011 MECRA assumptions described above. The Valuation used the Entry Age Normal Cost Method, amortization based on a level percentage of payroll and a 23-year fixed (closed) period for June 30, 2012 UAAL.

According to the Bartel Valuation, as of June 30, 2011, there were 361 active employee participants (with an average payoff $76,964) and 308 retiree participants, the Plan had assets for purposes of the valuation of $10,861 million and an unfunded actuarial liability of $24.295 million, the ARC was $2.496 million (including $6.99 million actual cost and $1.797 million UAAL amortization). Based on a projected payroll, the ARC as a percentage of payroll was 8.4%.

Outstanding General Fund Debt and Lease Obligations

The City currently has outstanding general fund debt and lease obligations described below. The City has never defaulted on the payment of principal of or interest on any of its indebtedness. The City has complied with all significant bond covenants relating to reserve and sinking fund requirements, proofs of insurance, and budgeted revenues and maintenance costs.

**2003 Authority Lease Revenue Bonds.** In March 2003, the Authority issued 2003 Lease Revenue Bonds in the aggregate principal amount of $7,605,000. The 2003 Lease Revenue Bonds are referred to as the "Prior Bonds" in this Official Statement and all of the Prior Bonds except the Prior Bonds maturing on April 1, 2013 will be defeased and redeemed with proceeds of the Bonds. See "REFUNDING PLAN."
**Note Payable.** The City owes $169,000 under a promissory note related to the purchase of property. The note bears an 8% interest rate and is due in November 2024.

**Pension Obligation Bonds.** In July 2010, the City issued its 2010 Taxable Pension Obligation Bonds, in the amount of $4,490,000.

**Fiscal Year 2011-12 Tax and Revenue Anticipation Notes.** The City issued fiscal year 2011-12 tax and revenue anticipation notes in the principal amount of $6,000,000. These notes mature on August 3, 2012.

**Jointly Governed Organizations**

The City is a member of a number of joint powers authorities with respect to which the City is obligated to make annual payments, including debt service payments. See Note 13 to the City’s June 30, 2011 audited financial statement, which is attached as Appendix C.
Direct and Overlapping Debt

Contained within the City are overlapping local agencies providing public services which have issued general obligation Certificates and other types of indebtedness. Direct and overlapping bonded indebtedness is shown in the following table.

CITY OF SAN RAFAEL
Statement of Direct and Overlapping Debt as of June 30, 2012

2011-12 Assessed Valuation: $10,089,222,072
Redevelopment Incremental Valuation: 2,219,133,566
Adjusted Assessed Valuation: $ 7,870,088,507

OVERLAPPING TAX AND ASSESSMENT DEBT:

<table>
<thead>
<tr>
<th>Agency</th>
<th>% Applicable</th>
<th>Debt 6/30/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marin Community College District</td>
<td>15.055%</td>
<td>$ 26,940,923</td>
</tr>
<tr>
<td>San Rafael High School District</td>
<td>74.314%</td>
<td>37,294,715</td>
</tr>
<tr>
<td>Tamalpais Union High School District</td>
<td>0.086%</td>
<td>135,966</td>
</tr>
<tr>
<td>Dixie School District</td>
<td>67.176%</td>
<td>4,612,177</td>
</tr>
<tr>
<td>Ross School District</td>
<td>1.680%</td>
<td>301,538</td>
</tr>
<tr>
<td>Ross Valley School District</td>
<td>0.015%</td>
<td>3,309</td>
</tr>
<tr>
<td>San Rafael School District</td>
<td>78.518%</td>
<td>45,773,153</td>
</tr>
<tr>
<td>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</td>
<td></td>
<td>$115,061,781</td>
</tr>
</tbody>
</table>

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

<table>
<thead>
<tr>
<th>Agency</th>
<th>% Applicable</th>
<th>Debt 6/30/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marin County Certificates of Participation</td>
<td>15.027%</td>
<td>$11,577,148</td>
</tr>
<tr>
<td>Marin County Pension Obligations</td>
<td>15.027%</td>
<td>16,557,500</td>
</tr>
<tr>
<td>Marin County Transit District General Fund Obligations</td>
<td>15.027%</td>
<td>30,809</td>
</tr>
<tr>
<td>Marin Municipal Water District General Fund Obligations</td>
<td>19.121%</td>
<td>31,894</td>
</tr>
<tr>
<td>Marin Community College District Certificates of Participation</td>
<td>15.055%</td>
<td>421,666</td>
</tr>
<tr>
<td>San Rafael School District Certificates of Participation</td>
<td>78.518%</td>
<td>3,125,016</td>
</tr>
<tr>
<td>City of San Rafael General Fund Obligations</td>
<td>100.</td>
<td>9,383,112</td>
</tr>
<tr>
<td>City of San Rafael Pension Obligations</td>
<td>100.</td>
<td>4,490,000</td>
</tr>
<tr>
<td>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</td>
<td></td>
<td>$45,617,145</td>
</tr>
<tr>
<td>Less: City of San Rafael lease revenue bonds supported by enterprise revenues (Prior Bonds)</td>
<td></td>
<td>6,445,000</td>
</tr>
<tr>
<td>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</td>
<td></td>
<td>$39,172,145</td>
</tr>
</tbody>
</table>

GROSS COMBINED TOTAL DEBT $160,678,926
NET COMBINED TOTAL DEBT $154,233,926

(1) Excludes issue to be sold.
(2) Includes City's share of Marin Emergency Radio Authority refunding revenue bonds.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:
Total Overlapping Tax and Assessment Debt.............. 1.14%

Ratios to Adjusted Assessed Valuation:
Gross Combined Direct Debt ($13,873,112).............. 0.18%
Net Combined Direct Debt ($7,428,112)................. 0.09%
Gross Combined Total Debt.............................. 2.04%
Net Combined Total Debt............................... 1.96%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $0

Parking Services Fund

In addition to the obligation of the City to budget and appropriate funds for all rental payments due under the Lease, the City agrees in the Lease that, to the extent there are
otherwise insufficient amounts to make all rental payments due under the Lease from the general funds of the City, the City shall use unencumbered amounts on deposit in its Parking Services Fund to make such payments, including during any period of abatement. *Moneys in the Parking Services Fund are not pledged for payment of the Base Rental payments or the Bonds.*

The Parking Services Fund is an enterprise fund of the City established to maintain parking garages, lots and spaces in the City's Downtown Parking District, and to pay for parking enforcement, meter collection. Fund revenues are derived from meter and "pay-by-space" collections, monthly parking permits and parking fines. The City's goal in creating the Parking Services Fund was to make parking a self sufficient enterprise within the City. Since its inception, the fund has met projections and produced reserves. With improvements in revenue control and parking enforcement efficiencies, the City expects the fund to continue to grow and meet projections and to provide reserves for future projects.

The following table sets forth historical balance sheet information for the Parking Services Fund, followed by a table showing historical revenues and expenditures for the Parking Services Fund:
CITY OF SAN RAFAEL
Parking Services Fund Balance Sheet
As of June 30 for Fiscal Years 2008-09 through 2010-11

<table>
<thead>
<tr>
<th></th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments available for operations</td>
<td>$2,187,810</td>
<td>$2,329,531</td>
<td>$2,324,993</td>
</tr>
<tr>
<td>Account receivable</td>
<td>91,770</td>
<td>54,684</td>
<td>29,548</td>
</tr>
<tr>
<td>Prepaids and deposit</td>
<td>5,025</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>2,279,580</td>
<td>2,389,240</td>
<td>2,354,541</td>
</tr>
<tr>
<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nondepreciable</td>
<td>8,743,714</td>
<td>8,620,853</td>
<td>8,620,853</td>
</tr>
<tr>
<td>Depreciable, net</td>
<td>9,474,923</td>
<td>9,134,972</td>
<td>8,802,739</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>18,218,637</td>
<td>17,755,825</td>
<td>17,423,592</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>20,498,217</td>
<td>20,145,065</td>
<td>19,778,133</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>113,606</td>
<td>115,606</td>
<td>123,518</td>
</tr>
<tr>
<td>Interest payable</td>
<td>81,667</td>
<td>80,285</td>
<td>78,535</td>
</tr>
<tr>
<td>Due to other funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated absences, due in one year</td>
<td>14,276</td>
<td>15,310</td>
<td>15,769</td>
</tr>
<tr>
<td>Long-term debt, due in one year</td>
<td>170,000</td>
<td>175,000</td>
<td>185,000</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>379,549</td>
<td>386,201</td>
<td>402,822</td>
</tr>
<tr>
<td><strong>Noncurrent Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated absences</td>
<td>150,691</td>
<td>172,263</td>
<td>167,134</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>6,805,000</td>
<td>6,630,000</td>
<td>6,445,000</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td>6,955,691</td>
<td>6,802,263</td>
<td>6,612,134</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>7,335,240</td>
<td>7,188,464</td>
<td>7,014,956</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>11,413,637</td>
<td>10,950,825</td>
<td>10,793,592</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>1,749,340</td>
<td>2,005,776</td>
<td>1,969,585</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>13,162,977</td>
<td>12,956,601</td>
<td>12,763,177</td>
</tr>
<tr>
<td><strong>Some amounts report for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets business-type activities</td>
<td>$13,180,595</td>
<td>$12,968,179</td>
<td>$12,742,039</td>
</tr>
</tbody>
</table>

Source: City of San Rafael, Department of Finance; Comprehensive Annual Financial Reports.
### CITY OF SAN RAFAEL
Parking Services Fund
Revenues and Expenditures
For Fiscal Years 2008-09 through 2010-11
($’s in thousands)

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30:</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges For Current Services</td>
<td>$2,276,450</td>
<td>$2,177,144</td>
<td>$2,154,308</td>
</tr>
<tr>
<td>Other Operating Revenues</td>
<td>2,178,040</td>
<td>2,066,990</td>
<td>1,857,025</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>4,454,490</td>
<td>4,244,404</td>
<td>4,011,333</td>
</tr>
<tr>
<td><strong>Operational Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>2,139,683</td>
<td>2,201,739</td>
<td>2,175,631</td>
</tr>
<tr>
<td>Maintenance And Repairs</td>
<td>–</td>
<td>212,156</td>
<td>41,321</td>
</tr>
<tr>
<td>Depreciation</td>
<td>304,244</td>
<td>335,909</td>
<td>332,233</td>
</tr>
<tr>
<td>General And Administrative</td>
<td>784,682</td>
<td>935,069</td>
<td>884,459</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>3,228,609</td>
<td>3,684,873</td>
<td>3,433,644</td>
</tr>
<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td>1,225,881</td>
<td>559,531</td>
<td>577,689</td>
</tr>
<tr>
<td><strong>Nonoperating Revenues (Expenses)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>49,081</td>
<td>17,678</td>
<td>11,878</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(330,379)</td>
<td>(325,285)</td>
<td>(319,381)</td>
</tr>
<tr>
<td><strong>Total Nonoperating Revenues (Expenses)</strong></td>
<td>(281,295)</td>
<td>(307,607)</td>
<td>(307,513)</td>
</tr>
<tr>
<td>Income (Loss) Before Transfers</td>
<td>944,586</td>
<td>251,924</td>
<td>270,176</td>
</tr>
<tr>
<td><strong>Transfers in</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers out</td>
<td>(361,190)</td>
<td>(458,300)</td>
<td>(463,600)</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>583,396</td>
<td>(206,376)</td>
<td>(193,424)</td>
</tr>
<tr>
<td><strong>NET ASSETS BEGINNING OF YEAR</strong></td>
<td>12,579,581</td>
<td>13,162,977</td>
<td>12,956,601</td>
</tr>
<tr>
<td><strong>NET ASSETS, END OF YEAR</strong></td>
<td>13,162,977</td>
<td>12,956,601</td>
<td>12,763,177</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>583,396</td>
<td>(206,376)</td>
<td>(193,424)</td>
</tr>
<tr>
<td><strong>Some amounts reported for business-type activities in the Statement of Activities are different because the portion of the net income of certain internal service funds is reported with the business-type activities which those funds serviced.</strong></td>
<td>(4,247)</td>
<td>(6,040)</td>
<td>(32,716)</td>
</tr>
<tr>
<td><strong>Change in Net Assets of Business-type Activities</strong></td>
<td>$579,149</td>
<td>$212,416</td>
<td>$(226,140)</td>
</tr>
</tbody>
</table>

Source: City of San Rafael, Comprehensive Annual Financial Reports.

**Investment of City Funds**

The City may invest moneys not immediately required for operations in a manner consistent with the City’s Statement of Investment Policy (the "Investment Policy").
The Investment Policy. The Investment Policy, adopted by the City Council on June 4, 2012, covers all short-term operating funds and investment activities of the City. These funds are accounted for in the City's annual audit report and include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds, Internal Funds and Fiduciary Funds. The Investment Policy is adopted by resolution of the City Council annually. The management responsibility for the City's investment program is delegated annually by the City Counsel to the Treasurer pursuant to California Government Code Section 53607. The Treasurer may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff members.

The City Manager and the Treasurer jointly develop written administrative procedures and internal controls, consistent with the Investment Policy. The City may engage the support services of outside investment advisors, as long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the City's financial resources. Beginning in January 2005, the City established a contract with MBIA Municipal Investors Service Corporation to administer cash management services to a portion of the portfolio. In February 2010, MBIA restructured its fixed-income asset management subsidiary and changed their name to Cutwater Asset Management. These services include updating the Investment Policy annually, cash flow administration, procurement of various instruments, and preparing a comprehensive monthly report.

The Investment Policy establishes five objectives for City investment:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market value rate of return.
4. Diversification to avoid incurring unreasonable market risks.
5. Compliance with the City's Municipal Code and with all applicable California statutes and Federal regulations.

Specific Investment Restrictions. The City is governed by Sections 16429.1, 53600-53609 and 53630-53686 et seq. of the California Government Code, except that, pursuant to California Government Code Section 5903(e), proceeds of bonds and any moneys set aside or pledged to secure payment of bonds may be invested in securities or obligations described in the ordinance, resolution, indenture, agreement or other instrument providing for the issuance of the bonds. The City has further restricted the eligible types of securities and transactions to the following instruments (with further specific restrictions specified in the Investment Policy).

Recent Monthly Report. The City Treasurer submits a monthly report to the City Council detailing and summarizing all transactions and stating the present status of City investments (the "Monthly Report"). As of May 1, 2012, the City Treasurer reports that the annualized return of the City’s investment portfolio was 0.37% (based on a 365-day year) and the weighted average days to effective maturity was 1 day.

As of May 1, 2012, all of the moneys in the investment portfolio were invested in the State’s Local Agency Investment Fund.
Employee Relations and Collective Bargaining

The employee associations that represent City employees are shown below. Pursuant to the City's Employee Relations Ordinance and the Meyers-Millias-Brown-Act, the City and the employee associations negotiate wages, hours and conditions of employment.

<table>
<thead>
<tr>
<th>Employee Group</th>
<th>Employees</th>
<th>Contract Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Employees International Union (SEIU)</td>
<td>131</td>
<td>06/30/2013</td>
</tr>
<tr>
<td>San Rafael Police Association (SRPA) (Police)</td>
<td>81</td>
<td>06/30/2013</td>
</tr>
<tr>
<td>Police Mid-Management</td>
<td>6</td>
<td>06/30/2013</td>
</tr>
<tr>
<td>Firefighters' Association</td>
<td>57</td>
<td>06/30/2013</td>
</tr>
<tr>
<td>Fire Chief Officers' Association</td>
<td>3</td>
<td>06/30/2013</td>
</tr>
<tr>
<td>SEIU - Childcare</td>
<td>46</td>
<td>10/31/2013</td>
</tr>
<tr>
<td>Association of Professional Employees (WCE)</td>
<td>6</td>
<td>06/30/2013</td>
</tr>
<tr>
<td>Local One – Confidential</td>
<td>6</td>
<td>06/30/2013</td>
</tr>
</tbody>
</table>

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by no later than nine months following the end of the City's fiscal year, commencing with the fiscal year ending June 30, 2012 (which would correspond to an initial distribution date of not later than April 1, 2013), (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The City will file, or cause to be filed, the Annual Report and any reports of enumerated events with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth below in "APPENDIX E - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The City has never failed to comply, in all material respects, with an undertaking pursuant to said Rule. [Confirm]

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the portion of each Lease Payment designated as and comprising interest paid by the City and received by the registered owners of 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 paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the delivery of the Lease 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 delivery for the Lease.

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 is disregarded.

Under the 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 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 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.

In the further opinion of Bond Counsel, interest payable with respect to the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest payable with respect to, 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.
PROFESSIONALS INVOLVED IN THE OFFERING

Certain legal matters incident to the authorization, sale, execution and delivery of the Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, substantially in the form of Appendix D. Jones Hall is also acting as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City and the Authority by the City Attorney. NHA Advisors, LLC, has served as Financial Advisor to the City.

Compensation of Bond Counsel, Disclosure Counsel and the Financial Advisor is contingent upon the execution and delivery of the Bonds.

LITIGATION

[Confirm] There is no litigation pending or, to the City’s knowledge, threatened in any way to restrain or enjoin the execution or delivery of the Bonds, the Lease or the Trust Agreement, to contest the validity of the Bonds, the Lease or the Trust Agreement, or any proceeding of the City with respect thereto.

There are a number of lawsuits and claims pending and threatened against the City unrelated to the Property Lease, the Base Rental Payments and the Bonds or actions taken with respect to the Property Lease, the Base Rental Payments and the Bonds. It is the opinion of the City as of this date that such litigation, claims and threatened litigation will not materially affect the City’s finances or impair its ability to pay Base Rental Payments when due.

FINANCIAL STATEMENTS OF THE CITY

Attached as Appendix C are the audited financial statements of the City for the year ended June 30, 2012 of Meze & Associates (the “Auditor”). The audited financial statements have been included in this Official Statement in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the City or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement.

The City is not required to obtain, and has not sought nor has it obtained the consent of the Auditor to include the audited financial statements in this Official Statement.

UNDERWRITING

The Bonds were sold pursuant to competitive sale, and were awarded to ___________ (the "Underwriter") on ___________ , 2012. The Bonds are being purchased by the Underwriter at a purchase price of $___________, which represents the aggregate principal component of the Bonds ($___________) plus a net original issue premium ($___________) and less an underwriter’s discount ($__________). In addition, the Purchase Agreement provides that 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 Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

RATINGS

It is anticipated that, on the Closing Date, Moody's Investors Service ("Moody's") will assign its municipal bond rating of "___" to the Bonds, Fitch Ratings ("Fitch") will assign its municipal bond rating of "___" to the Bonds, and Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("S&P"), will assign its municipal bond rating of "___" to the Bonds.

These ratings reflect only the views of the respective rating agency, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City and the Authority have provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement).

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

MISCELLANEOUS

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

During the initial offering period for the Bonds, copies of the Lease, the Site Lease, the Trust Agreement and the Assignment Agreement may be obtained, upon written request, from the City. After delivery of the Bonds, copies of such documents may be obtained from the Trustee.

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

SAN RAFAEL JOINT POWERS FINANCING AUTHORITY
By: ____________________________

Chair

CITY OF SAN RAFAEL

By: ____________________________

City Manager
APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the primary legal documents relating to the Bonds. This summary is not intended to be definitive. Reference is directed to the complete text of the documents described below. Copies of said documents may be obtained from the Trustee.
APPENDIX B

CITY OF SAN RAFAEL GENERAL INFORMATION

General

The City of San Rafael (the "City") is located 17 miles north of San Francisco in Marin County (the "County"). Protected by its mediterranean-like setting along the shores of the San Francisco Bay, the City enjoys a mild climate year round. As the County seat, the City is considered the trade, financial and industrial leader of the County. The City currently has a land area of 22 square miles which includes 17 square miles of land and five square miles of water and tide lands. In addition to the City's cultural, park and recreational resources, there are other nearby attractions including Muir Woods, five State parks, San Francisco and its surrounding areas, Oakland and the Napa Valley wine country.

The City provides municipal services required by statute or charter, namely: Fire, Police, Community Development (encompassing Building, Planning and Code Enforcement), Public Works, Community Services (both Recreational and Child Care Programs), Redevelopment, Library and General Administrative Services.

Marin County was one of the original counties of California, created in 1850 at the time of statehood. The County has a total area of 828 miles and, as of January 1, 2011, a population estimate of 254,790. Geographically, the county forms a large, southward-facing peninsula, with the Pacific Ocean to the west, San Pablo Bay and San Francisco Bay to the east, and – across the Golden Gate – the city of San Francisco to the south. Its northern border is with Sonoma County. Most of the County's population resides on the eastern side, with a string of communities running along the bay, from Sausalito to Tiburon to San Rafael to Corte Madera. The interior contains large areas of agricultural and open space; West Marin, through which California State Route 1 runs alongside the California coast, contains many small unincorporated communities dependent on agriculture and tourism for their economies.

Population

Population figures for the City, the County and the State for the last five years are shown in the following table.

Table No. A-1
CITY OF SAN RAFAEL
Population Estimates

<table>
<thead>
<tr>
<th>Year</th>
<th>City of San Rafael</th>
<th>Marin County</th>
<th>State of California</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>56,998</td>
<td>249,546</td>
<td>36,704,375</td>
</tr>
<tr>
<td>2009</td>
<td>57,195</td>
<td>250,760</td>
<td>36,966,713</td>
</tr>
<tr>
<td>2010</td>
<td>57,608</td>
<td>252,279</td>
<td>37,223,900</td>
</tr>
<tr>
<td>2011</td>
<td>57,775</td>
<td>253,040</td>
<td>37,427,946</td>
</tr>
<tr>
<td>2012</td>
<td>58,305</td>
<td>254,790</td>
<td>37,678,563</td>
</tr>
</tbody>
</table>

Source: State Department of Finance estimates (as of January 1)
Municipal Government

The City was incorporated in 1874 and became a charter city in 1913. It has a council/city manager form of government with the County's only elected mayor and four elected city council members who serve four-year terms.

The City Council appoints the City Manager who heads the executive branch of the government. The City Manager's office carries out the policy and directions of the Mayor and City Council.

Employment and Industry

The unemployment rate in Marin County was 6.4% in April 2012. This compares with an unadjusted unemployment rate of 10.5% for California and 7.7% for the nation during the same period.

The following table summarizes the civilian labor force, employment and unemployment in the County for the calendar years 2007 through 2011. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

Table No. A-2
COUNTY OF MARIN
Annual Average Labor Force
Employment by Industry Group

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian Labor Force</td>
<td>132,100</td>
<td>132,400</td>
<td>131,900</td>
<td>133,100</td>
<td>135,300</td>
</tr>
<tr>
<td>Employment</td>
<td>127,300</td>
<td>126,200</td>
<td>121,800</td>
<td>122,500</td>
<td>125,400</td>
</tr>
<tr>
<td>Unemployment</td>
<td>4,800</td>
<td>6,200</td>
<td>10,100</td>
<td>10,700</td>
<td>10,000</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>3.7%</td>
<td>4.7%</td>
<td>7.7%</td>
<td>8.0%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Wage and Salary Employment: (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>N/A</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2,100</td>
<td>2,100</td>
<td>2,000</td>
<td>2,100</td>
<td>N/A</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>2,700</td>
<td>2,700</td>
<td>2,300</td>
<td>2,400</td>
<td>N/A</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>14,600</td>
<td>14,400</td>
<td>13,100</td>
<td>13,200</td>
<td>N/A</td>
</tr>
<tr>
<td>Trans., Warehousing, Utilities</td>
<td>1,200</td>
<td>1,200</td>
<td>1,100</td>
<td>1,200</td>
<td>N/A</td>
</tr>
<tr>
<td>Information</td>
<td>2,400</td>
<td>2,200</td>
<td>2,000</td>
<td>1,900</td>
<td>N/A</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>8,800</td>
<td>8,200</td>
<td>7,500</td>
<td>6,800</td>
<td>N/A</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>19,500</td>
<td>20,300</td>
<td>18,500</td>
<td>18,900</td>
<td>N/A</td>
</tr>
<tr>
<td>Educational and Health Services</td>
<td>15,700</td>
<td>16,100</td>
<td>16,900</td>
<td>16,300</td>
<td>N/A</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>13,000</td>
<td>13,400</td>
<td>12,700</td>
<td>12,100</td>
<td>N/A</td>
</tr>
<tr>
<td>Other Services</td>
<td>5,000</td>
<td>4,900</td>
<td>4,700</td>
<td>5,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Federal Government</td>
<td>700</td>
<td>900</td>
<td>1,000</td>
<td>1,000</td>
<td>N/A</td>
</tr>
<tr>
<td>State Government</td>
<td>1,900</td>
<td>2,100</td>
<td>2,200</td>
<td>2,100</td>
<td>N/A</td>
</tr>
<tr>
<td>Local Government</td>
<td>12,400</td>
<td>12,500</td>
<td>11,800</td>
<td>11,800</td>
<td>N/A</td>
</tr>
<tr>
<td>Total All Industries</td>
<td>109,000</td>
<td>109,300</td>
<td>102,400</td>
<td>101,000</td>
<td>N/A</td>
</tr>
</tbody>
</table>

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) May not add due to rounding.

Source: State of California Employment Development Department.
Largest Employers

Total employment in the City as of June 30, 2011 was 27,000. The largest employers in the City are as follows:

Table No. A-3
CITY OF SAN RAFAEL
Largest Employers
Fiscal Year 2010-11

<table>
<thead>
<tr>
<th>Employer</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser Permanente (San Rafael)</td>
<td>1,330</td>
</tr>
<tr>
<td>Autodesk Inc.</td>
<td>928</td>
</tr>
<tr>
<td>City of San Rafael</td>
<td>592</td>
</tr>
<tr>
<td>Comcast</td>
<td>619</td>
</tr>
<tr>
<td>Safeway</td>
<td>452</td>
</tr>
<tr>
<td>Macy's</td>
<td>450</td>
</tr>
<tr>
<td>Dominican University of California</td>
<td>336</td>
</tr>
<tr>
<td>MHN</td>
<td>350</td>
</tr>
<tr>
<td>Bradley Real Estate</td>
<td>350</td>
</tr>
<tr>
<td>Guide Dogs for the Blind</td>
<td>280</td>
</tr>
</tbody>
</table>

Source: City of San Rafael; State of California Employment Development Department.

Assessed Valuation

See "CITY FINANCES - Property Taxes" below for information regarding the assessed valuation of properties in the City.

Personal Income

"Effective Buying Income" is defined as personal income less personal tax and nontax 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), nontax 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 total effective buying income for the City, the County, the State and the United States for the period 2007 through 2011.

Table No. A-4
CITY OF SAN RAFAEL
Effective Buying Income
As of January 1, 2007 through 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Area</th>
<th>Total Effective Buying Income (000's Omitted)</th>
<th>Median Household Effective Buying Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>City of San Rafael</td>
<td>$1,874,323</td>
<td>$57,071</td>
</tr>
<tr>
<td></td>
<td>Marin County</td>
<td>10,585,120</td>
<td>67,799</td>
</tr>
<tr>
<td></td>
<td>California</td>
<td>814,894,438</td>
<td>48,203</td>
</tr>
<tr>
<td></td>
<td>United States</td>
<td>6,300,794,040</td>
<td>41,792</td>
</tr>
<tr>
<td>2008</td>
<td>City of San Rafael</td>
<td>$1,899,075</td>
<td>$57,466</td>
</tr>
<tr>
<td></td>
<td>Marin County</td>
<td>10,769,315</td>
<td>68,816</td>
</tr>
<tr>
<td></td>
<td>California</td>
<td>832,531,445</td>
<td>48,952</td>
</tr>
<tr>
<td></td>
<td>United States</td>
<td>6,443,994,426</td>
<td>42,303</td>
</tr>
<tr>
<td>2009</td>
<td>City of San Rafael</td>
<td>$1,914,850</td>
<td>$61,246</td>
</tr>
<tr>
<td></td>
<td>Marin County</td>
<td>10,508,733</td>
<td>71,591</td>
</tr>
<tr>
<td></td>
<td>California</td>
<td>844,823,319</td>
<td>49,736</td>
</tr>
<tr>
<td></td>
<td>United States</td>
<td>6,571,536,768</td>
<td>43,252</td>
</tr>
<tr>
<td>2010</td>
<td>City of San Rafael</td>
<td>$1,868,863</td>
<td>$58,133</td>
</tr>
<tr>
<td></td>
<td>Marin County</td>
<td>10,453,585</td>
<td>68,688</td>
</tr>
<tr>
<td></td>
<td>California</td>
<td>801,393,028</td>
<td>47,177</td>
</tr>
<tr>
<td></td>
<td>United States</td>
<td>6,365,020,076</td>
<td>41,368</td>
</tr>
<tr>
<td>2011</td>
<td>City of San Rafael</td>
<td>$1,917,975</td>
<td>58,167</td>
</tr>
<tr>
<td></td>
<td>Marin County</td>
<td>10,592,305</td>
<td>68,667</td>
</tr>
<tr>
<td></td>
<td>California</td>
<td>814,578,458</td>
<td>47,062</td>
</tr>
<tr>
<td></td>
<td>United States</td>
<td>6,438,704,664</td>
<td>41,253</td>
</tr>
</tbody>
</table>

Source: Nielsen Company (US), Inc.
Construction Activity

Building activity for the past five years in the City is shown in the following table. Figures are not yet available for 2011.

Table No. A-5
CITY OF SAN RAFAEL
Total Building Permit Valuations
(valuations in thousands)
Calendar Year 2006 to 2010

<table>
<thead>
<tr>
<th>Permit Valuation</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Single-family</td>
<td>$6,304.0</td>
<td>$4,717.8</td>
<td>$1,372.5</td>
<td>$895.0</td>
<td>$449.0</td>
</tr>
<tr>
<td>New Multi-family</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>17,709.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Res. Alterations/Additions</td>
<td>23,466.7</td>
<td>31,202.7</td>
<td>15,212.2</td>
<td>20,424.3</td>
<td>14,675.8</td>
</tr>
<tr>
<td>Total Residential</td>
<td>29,770.7</td>
<td>35,920.5</td>
<td>16,584.7</td>
<td>38,828.3</td>
<td>15,124.8</td>
</tr>
<tr>
<td>New Commercial</td>
<td>11,300.0</td>
<td>0.0</td>
<td>17,800.0</td>
<td>1,800.0</td>
<td>0.0</td>
</tr>
<tr>
<td>New Industrial</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>New Other</td>
<td>13,231.6</td>
<td>225.4</td>
<td>144.0</td>
<td>1,030.2</td>
<td>401.0</td>
</tr>
<tr>
<td>Com. Alterations/Additions</td>
<td>11,364.7</td>
<td>16,955.4</td>
<td>30,712.2</td>
<td>36,586.0</td>
<td>15,934.9</td>
</tr>
<tr>
<td>Total Nonresidential</td>
<td>35,896.3</td>
<td>17,180.8</td>
<td>$48,656.2</td>
<td>39,416.1</td>
<td>16,335.9</td>
</tr>
</tbody>
</table>

New Dwelling Units

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>7</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Multiple Family</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>82</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>4</td>
<td>2</td>
<td>84</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Economic Sciences Corporation, California Building Permit Activity.
APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE YEAR ENDED JUNE 30, 2011
APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

SAN RAFAEL JOINT POWERS FINANCING AUTHORITY
Lease Revenue Refunding Bonds, Series 2012
/Public Parking Project/

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the City of San Rafael (the "City"), for and on behalf of itself and the San Rafael Joint Powers Financing Authority (the "Authority"), in connection with the issuance of the bonds captioned above (the "Bonds"). The Bonds are being issued pursuant to a Trust Agreement, dated as of April 1, 2003 (the "Original Trust Agreement"), as amended and supplemented by a First Amendment to Trust Agreement, dated as of July 1, 2012 and a First Supplemental Trust Agreement, dated as of July 1, 2012 (together, the Original Trust Agreement, the First Amendment to Trust Agreement and the First Supplemental Trust Agreement are referred to in this Disclosure Certificate as the "Trust Agreement"), between the Authority and Union Bank, N.A., as trustee (the "Trustee").

The City 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 S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Trust Agreement, 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 that is 9 months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30).

"Dissemination Agent" means Willdan Financial Services or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"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, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Official Statement" means the final official statement executed by the City and the Authority in connection with the issuance of the Bonds.

"Participating Underwriter" means _______________, 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 it 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 March 31, 2013, with the report for fiscal year 2011-12, 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. 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.

(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 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 corresponding tables in the Official Statement:

(i) Principal amount of Bonds outstanding.

(ii) Balance in the 2012 Reserve Account of the Reserve Fund, and a statement of the Reserve Fund Requirement, together with a statement of projected Reserve Fund draw, if any.

(iii) Balance in other funds and accounts held by the Authority, the City or the Trustee relating to the Bonds.

(iv) A description of any event of default under the Lease.

(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 Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(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 Bonds under the Trust Agreement.

(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 Willdan Financial Services. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

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 Trust Agreement for amendments to the Trust Agreement 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 Report 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 this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report 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 any amendment made pursuant to this Section 9 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 Trust Agreement, 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. **Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. **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: _____, 2012

CITY OF SAN RAFAEL

By: 

Name: 

Title: 

AGREED AND ACCEPTED:
WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By: 

Name: 

Title: 

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Rafael Joint Powers Financing Authority

Name of Issue: San Rafael Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2012

Date of Issuance: ____, 2012

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 ____, 2012. The City anticipates that the Annual Report will be filed by ________________.

Dated: _____________________

DISSEMINATION AGENT:

________________________

By: ________________________
Its: ________________________
APPENDIX F

THE BOOK-ENTRY 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 issuer of the Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "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 and www.dtc.org. The information contained on this Internet site 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. 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.

10. 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.

11. 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.
SAN RAFAEL JOINT POWERS FINANCING AUTHORITY
Lease Revenue Refunding Bonds, Series 2012
(Public Parking Project)

BOND PURCHASE AGREEMENT

______, 2012

San Rafael Joint Powers Financing Authority
1400 Fifth Ave.
San Rafael, CA 94901

City of San Rafael
1400 Fifth Ave.
San Rafael, CA 94901

Ladies and Gentlemen:

[Underwriter to come] (the "Underwriter") offers to enter into this Bond Purchase Agreement (this "Purchase Contract") with the San Rafael Joint Powers Financing Authority (the "Authority") and the City of San Rafael (the "City"). This offer is made subject to the Authority's and the City's acceptance by execution of this Purchase Contract and delivery of the same to the Underwriter on or before 11:59 p.m. on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority and the City at any time prior to such acceptance. Upon the Authority's and the City's acceptance hereof, the Purchase Contract will be binding upon the Authority, the City and the Underwriter.

Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Trust Agreement (defined below).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Contract, the Underwriter agrees to purchase from the Authority, and the Authority agrees to sell and deliver to the Underwriter, all (but not less than all) of the bonds captioned above (the "Bonds") at a purchase price of $_______ (being an amount equal to the principal amount of the Bonds ($_______), plus original issue premium of $_______, and less an underwriter's discount of $_______). The obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be conditioned on the sale and delivery of all of the Bonds by the Authority to the Underwriter at Closing.

Section 2. Bond Terms; Authorizing Instruments. (a) The Bonds shall be dated their date of delivery and shall mature and bear interest as shown on Exhibit A. The Bonds shall be as described in, and shall be issued and secured under, a Trust Agreement, dated as of April 1, 2003 (the "Original Trust Agreement"), as amended and supplemented by a First Amendment to Trust Agreement, dated as of July 1, 2012 (the "First Amendment to Trust Agreement") and a First Supplemental Trust Agreement, dated as of July 1, 2012 (the "First Supplemental
Trust Agreement; together, the Original Trust Agreement, the First Amendment to Trust Agreement and the First Supplemental Trust Agreement are referred to in this Agreement as the "Trust Agreement"), between the Authority and Union Bank, N.A., as trustee (the "Trustee"). The Bonds are payable and subject to redemption as provided in the Trust Agreement and as described in the Official Statement.

(b) The Bonds will be issued pursuant to Article 10 and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California and are payable from and secured by the Authority's pledge of "Revenues" under and as defined in the Trust Agreement, consisting primarily of "Base Rental Payments" made by the City under a Property Lease, dated as of April 1, 2003, between the Authority, as lessor, and the City, as lessee (the "Original Property Lease"), as amended by a First Amendment to Property Lease, dated as of September 1, 2005 (the "First Amendment to Property Lease"), and a Second Amendment to Property Lease, dated as of July 1, 2012 (the "Second Amendment to Property Lease"); together, the Original Property Lease, the First Amendment to Property Lease and the Second Amendment to Property Lease are referred to as the "Property Lease").

(c) The City and the Authority previously entered into a Site and Facilities Lease dated as of April 1, 2003 (the "Original Site Lease") and a First Amendment to Site and Facility Lease, dated as of September 1, 2005 (the "First Amendment to Site and Facility Lease"). Concurrently with issuance of the Bonds, the Authority and the City will enter into a Second Amendment to Site and Facility Lease, dated as of July 1, 2012 (the "Second Amendment to Site and Facility Lease"); together, the Original Site Lease, the First Amendment to Site and Facility Lease and the Second Amendment to Site and Facility Lease are referred to as the "Site Lease"). Under the Site Lease, the City (as owner of the Site) leases the real property described therein to the Authority and, under the Property Lease, the Authority leases the same real property back to the City.

Section 3. Public Offering. The Underwriter agrees to make an initial bona fide public offering of all of the Bonds, at not in excess of the initial public offering yields or prices set forth on Exhibit A. Following the initial public offering of the Bonds, the offering prices may be changed from time to time by the Underwriter.

Section 4. Official Statement; Continuing Disclosure. (a) The Authority and the City have delivered to the Underwriter the Preliminary Official Statement dated _______, 2012 (the "Preliminary Official Statement") and will deliver to the Underwriter the final Official Statement dated the date of this Purchase Contract (as amended and supplemented from time to time pursuant to Section 5(i) of this Purchase Contract, the "Official Statement"). The Authority and the City agree to deliver to the Underwriter as many copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule 15c2-12"). The Authority and the City agree to deliver the final Official Statement within seven business days after the execution hereof, or such earlier date identified by the Underwriter to be necessary to allow the Underwriter to meet its obligations under the Rule and Rule G-32 of the Municipal Securities Rulemaking Board.

(b) The Authority and the City hereby authorize the use of the Official Statement and the information contained therein by the Underwriter in connection with the public offering and the sale of the Bonds. The Authority and the City consent to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Underwriter hereby agrees that they will not send any confirmation requesting
payment for the purchase of any Bonds unless the confirmation is accompanied by or preceded by the delivery of a copy of the Official Statement. The Underwriter agrees to: (1) provide the Authority with final pricing information on the Bonds on a timely basis prior to the Closing and (2) take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and MSRB rules governing the offering, sale and delivery of the Bonds to ultimate purchasers.

(c) In connection with issuance of the Bonds, and in order to assist the Underwriter with complying with the provisions of Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the City, on behalf of itself and the Authority, will execute a continuing disclosure certificate countersigned by the Trustee, as dissemination agent (the "Continuing Disclosure Certificate"), under which the City will undertake to provide certain financial and operating data as required by Rule 15c2-12. The form of the Continuing Disclosure Certificate will be attached as an appendix to the Preliminary and Final Official Statements.

Section 5. Representations, Warranties and Covenants of the Authority. The Authority hereby represents, warrants and agrees with the Underwriter that:

(a) The board of directors (the "Board") of the Authority has taken official action by a resolution adopted on July ___, 2012 (the "Authority Resolution") adopted by a majority of the members of the Board at meetings duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the execution, delivery and due performance of the First Amendment to Trust Agreement, the First Supplemental Trust Agreement, the Second Amendment to Property Lease, the Second Amendment to Site and Facility Lease and this Purchase Contract (collectively, the "2012 Authority Agreements") and the Official Statement and the taking of any and all such action as may be required on the part of the Authority to carry out, give effect to and consummate the transactions contemplated hereby.

(b) The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "State") and has all necessary power and authority to adopt the Authority Resolution, to enter into and perform its duties under the Trust Agreement, the Property Lease, the Site Lease and this Purchase Contract (the "Authority Agreements") and, when executed and delivered by the respective parties thereto, the Authority Agreements will each constitute legal, valid and binding obligation of the Authority enforceable in accordance with its respective terms.

(c) By all necessary official action, the Authority has duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the Bonds and the Authority Agreements, and the consummation by it of all other transactions contemplated by the Authority Resolution, the Authority Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered by their respective parties, the Authority Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the Authority, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.
(d) At the time of the Authority's acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Official Statement do not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the Authority or, to the best knowledge of the Authority, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Authority, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of Authority Agreements or the Bonds, or (iii) in any way question or affect the Purchase Contract or the transactions contemplated by the Purchase Contract, the Official Statement, or any other agreement or instrument to which the Authority is a party relating to the Bonds.

(f) There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the Authority required for the execution and delivery of this Purchase Contract or the consummation by the Authority of the other transactions contemplated by the Official Statement or the Authority Agreements.

(g) Any certificate signed by any official of the Authority authorized to do so shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(h) Except as previously disclosed to the Underwriter, the Authority is not in default, and at no time has the Authority defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(i)

(1) Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the Authority since June 30, 2011 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(2) If between the date of this Purchase Contract and the date which is 25 days following the End of the Underwriting Period (as defined below), any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit 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, the Authority shall immediately notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriter. “End of the Underwriting Period” shall mean the later of: (i) the Closing Date, and (ii) the date the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public, provided that unless the Underwriter
notifies the Authority on or prior to the Closing Date that it retains, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public, the End of the Underwriting Period shall be deemed to have occurred on the Closing Date.

(3) After the Closing, the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter reasonably objects in writing or which is disapproved by Underwriter's Counsel. If any event relating to or affecting the Authority occurs 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 the light of the circumstances existing at the time it is delivered to a purchaser, the Authority will use its best efforts to assist the Underwriter in preparing (at the expense of the Authority for 90 days after the date of the Closing, and thereafter at the expense of the Underwriter) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For the purposes of this subsection, the Authority will furnish such information with respect to itself as the Underwriter may from time to time reasonably request.

(i) Except as disclosed in the Official Statement, the Authority has not previously failed to comply in all material respects with any undertakings under Rule 15c2-12 during the past five years.

(ii) The Authority acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction between the Authority and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent or fiduciary of the Authority, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Authority on other matters) and the Underwriter has no obligation to the Authority with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract and (iv) the Authority has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

Section 6. Representations, Warranties and Covenants of the City. The City hereby represents, warrants and agrees with the Underwriter that:

(a) The city council (the "City Council") of the City has taken official action by a resolution adopted on ______, 2012 (the "City Resolution") adopted by a majority of the members of the City Council at meetings duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the execution, delivery and due performance of the Second Amendment to Property Lease, the Second Amendment to Site and Facility Lease and this Purchase Contract (collectively, the "2012 City Agreements") and the Official
Statement and the taking of any and all such action as may be required on the part of the City to carry out, give effect to and consummate the transactions contemplated hereby.

(b) The City is a charter city and municipal corporation, organized and existing under the laws of the State of California (the "State") and has all necessary power and authority to adopt the City Resolution, to enter into and perform its duties under the Site Lease, the Property Lease and this Purchase Contract (the "City Agreements") and, when executed and delivered by the respective parties thereto, the City Agreements will each constitute legal, valid and binding obligation of the City enforceable in accordance with its respective terms.

(c) By all necessary official action, the City has duly adopted the City Resolution, has duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the City Agreements, and the consummation by it of all other transactions contemplated by the City Resolution, the City Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered by their respective parties, the City Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the City, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) At the time of the City's acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Official Statement do not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the City or, to the best knowledge of the City, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the City, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of City Agreements or the Bonds, or (iii) in any way question or affect the Purchase Contract or the transactions contemplated by the Purchase Contract, the Official Statement, or any other agreement or instrument to which the City is a party relating to the Bonds.

(f) There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the City required for the execution and delivery of this Purchase Contract or the consummation by the City of the other transactions contemplated by the Official Statement or the City Agreements.

(g) Any certificate signed by any official of the City authorized to do so shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.
(h) Except as previously disclosed to the Underwriter, the City is not in default, and at no time has the City defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(i)

(1) Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the City since June 30, 2011 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(2) If between the date of this Purchase Contract and the date which is 25 days following the End of the Underwriting Period (as defined below), any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit 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, the City shall immediately notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriter. "End of the Underwriting Period" shall mean the later of: (i) the Closing Date, and (ii) the date the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public, provided that unless the Underwriter notifies the City on or prior to the Closing Date that it retains, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public, the End of the Underwriting Period shall be deemed to have occurred on the Closing Date.

(3) After the Closing, the City will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter reasonably objects in writing or which is disapproved by Underwriter’s Counsel. If any event relating to or affecting the City occurs 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 the light of the circumstances existing at the time it is delivered to a purchaser, the City will use its best efforts to assist the Underwriter in preparing (at the expense of the City for 90 days after the date of the Closing, and thereafter at the expense of the Underwriter) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For the purposes of this subsection, the City will furnish such information with respect to itself as the Underwriter may from time to time reasonably request.

(j) Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, the City has not previously failed to comply in all material respects with any undertakings under Rule 15c2-12 in the past five years.
(k) The City does not need the consent of its auditor to include its audited financial statements for the fiscal year ended June 30, 2011 as an appendix to the Official Statement.

(l) The City acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the City and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent or fiduciary of the City, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City on other matters) and the Underwriter has no obligation to the City with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract and (iv) the City has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

Section 7. The Closing. (a) At 8:00 A.M., San Francisco time, on _____, 2012, or on such earlier or later time or date as may be agreed upon by the Underwriter, the Authority and the City (the “Closing”), the Authority shall deliver or cause to be delivered to the Underwriter, at a location or locations to be designated by the Underwriter in New York, New York, the duly executed Bonds (delivered through the book-entry system of The Depository Trust Company). Prior to the Closing, the Authority shall deliver, at the offices of Jones Hall, A Professional Law Corporation (“Bond Counsel”) in San Francisco, California, or such other place as are mutually agreed upon by the Underwriter and the Authority, the other documents described in this Purchase Contract. On the date of the Closing, the Underwriter shall pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Contract in immediately available funds to the order of the Trustee.

(b) The Bonds shall be issued in fully registered form and shall be prepared and delivered as one Bond for each maturity registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”). It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Purchase Contract.

Section 8. Conditions to Underwriter's Obligations. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the Authority and the City contained herein and to be contained in the documents and instruments to be delivered on the date of the Closing, and upon the performance by the Authority and the City of their respective obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the date of the Closing. The Underwriter's obligations under this Purchase Contract are and shall also be subject to the sale, issuance and delivery of the Bonds as well as the following conditions:

(a) The representations and warranties of the Authority and the City contained in this Agreement shall be true and correct in all material respects on the date of this Purchase Contract and on and as of the date of the Closing as if made on the date of the Closing;

(b) As of the date of the Closing, the Official Statement may not have been amended, modified or supplemented, except in any case as may have been agreed to by the Underwriter;
(c) (i) As of the date of the Closing, the Authority Resolution, the City Resolution, the Authority Agreements and the City Agreements shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by the City and Underwriter, (ii) the Authority shall perform or have performed all of its obligations required under or specified in the Authority Resolution, the Authority Agreements and this Purchase Contract to be performed at or prior to the date of the Closing; and (iii) the City shall perform or have performed all of its obligations required under or specified in the City Resolution, the City Agreements and this Purchase Contract to be performed at or prior to the date of the Closing;

(d) As of the date of the Closing, all necessary official action of the Authority relating to the Authority Agreements, the Authority Resolution and the Official Statement, and all necessary official action of the City relating to the City Agreements, the City Resolution, and the Official Statement, shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect, except as may have been agreed to by the City and Underwriter;

(e) Subsequent to the date of this Purchase Contract, up to and including the date of the Closing, there shall not have occurred any change in or particularly affecting the Authority, the City, or the City’s finances, as these matters are described in the Official Statement, which in the reasonable professional judgment of the Underwriter materially impairs the investment quality of the Bonds;

(f) As of or prior to the date of the Closing, the Underwriter shall have received each of the following documents:

1. Certified copies of the Authority Resolution and the City Resolution.

2. Duly executed copies of the Trust Agreement, the Property Lease, the Site Lease, the Continuing Disclosure Certificate and this Purchase Contract.

3. The Preliminary Official Statement and the Official Statement, with the Official Statement duly executed on behalf of the Authority and the City.

4. An approving opinion of Bond Counsel, dated as of the Closing, as to the validity of the Bonds and the exclusion of interest on the Bonds from federal gross income and State income taxation, addressed to the Authority and the City substantially in the form attached as an appendix to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter.

5. A supplemental opinion of Bond Counsel, addressed to the Underwriter, to the effect that:

   (i) The Purchase Contract has been duly executed and delivered by the Authority and the City and is valid and binding upon the Authority and the City, subject to laws relating to bankruptcy, insolvency, reorganization or creditors’ rights generally and to the application of equitable principles;

   (ii) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and the Trust Agreement is
exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(iii) The statements contained in the Official Statement on the cover and under the headings "INTRODUCTION," "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "TAX MATTERS," and in "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" and "APPENDIX D - PROPOSED FORM OF BOND COUNSEL OPINION," insofar as such statements purport to describe certain provisions of the Bonds, the Property Lease and the Trust Agreement, or to state legal conclusions and the opinion of Bond Counsel regarding the tax-exempt nature of the Bonds, present a fair and accurate summary of the provisions thereof.

(6) A letter of Jones Hall, as Disclosure Counsel, addressed to the Authority, the City and the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Official Statement, and having made no independent investigation or verification thereof, no facts have come to their attention that lead them to believe that, as of the date of the Closing, the Official Statement (except for the appendices thereto, any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, or any information about The Depository Trust Company or its book-entry only system, as to which no opinion or view need be expressed) contains any untrue statement of a material fact or omits 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.

(7) An opinion of the City Attorney, dated as of the Closing addressed to the Authority, the City and the Underwriter, in form and substance acceptable to the Underwriter, to the effect that:

(i) The City is a municipal corporation and charter city duly organized and validly existing under the laws and the Constitution of the State of California. The City Council is the governing body of the City.

(ii) The City Resolution was duly adopted at a meeting of the City Council, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the City Resolution is in full force and effect and has not been modified, amended or rescinded since the date of its adoption.

(iii) The execution and delivery by the City of the 2012 City Agreements, the Official Statement and the other instruments contemplated by any of such documents to which the Authority is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound in a manner
which would materially adversely affect the City's performance under the City Agreements.

(iv) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the City of its obligations under the City Agreements have been obtained and are in full force and effect.

(v) To the best of the City Attorney's knowledge, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, is pending or threatened in any way against the City (A) affecting the existence of the City or the titles of its City Council members or its officers to their respective offices, (B) affecting the existence of the City, (C) seeking to restrain or to enjoin the issuance or sale of the Bonds, (D) in any way contesting or affecting the validity or enforceability of the City Resolution or the City Agreements, (E) in any way contesting the powers of the City to issue or sell the Bonds or its authority with respect to the City Resolution or the City Agreements, (F) in any way contesting or affecting any of the rights, powers, duties or obligations of the City with respect to the money or property pledged or to be pledged under the Trust Agreement, the Property Lease or the Site Lease or (G) in any way questioning the accuracy of the statements in the Official Statement.

(vi) The Authority is a joint exercise of powers authority organized and validly existing under the laws of the State of California. The Board of Directors of the Authority is the governing body of the Authority.

(vii) The Authority Resolution was duly adopted at a meeting of the Board of Directors, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded since the date of its adoption.

(viii) To the best of the City Attorney's knowledge, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, is pending or threatened in any way against the Authority (A) affecting the existence of the Authority or the titles of its Board members or its officers to their respective offices, (B) affecting the existence of the Authority, (C) seeking to restrain or to enjoin the issuance or sale of the Bonds, (D) in any way contesting or affecting the validity or enforceability of the Authority Resolution or the Authority Agreements, (E) in any way contesting the powers of the Authority to issue or sell the Bonds or its authority with respect to the Authority Resolution or the Authority Agreements, (F) in any way contesting or affecting any of the rights, powers, duties or obligations of the Authority with respect to the money or property pledged or to be pledged under the Trust Agreement, the Property Lease or the Site Lease or (G) in any way questioning the accuracy of the statements in the Official Statement.
(ix) The execution and delivery by the Authority of the 2012 Authority Agreements, the Official Statement and the other instruments contemplated by any of such documents to which the Authority is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound in a manner which would materially adversely affect the Authority's performance under the Authority Agreements.

(x) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Authority of its obligations under the Authority Agreements have been obtained and are in full force and effect.

(xi) Nothing has come to the attention of the City Attorney which has led the City Attorney to believe that the Official Statement (excluding therefrom the financial and statistical data and forecasts included therein and information about The Depository Trust Company, as to which no opinion need be expressed) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

(8) An executed certificate of the Authority and the City, dated as of the date of the Preliminary Official Statement, in the form attached as Exhibit B.

(9) An executed closing certificate of the Authority, dated as of the Closing, in the form attached as Exhibit C.

(10) An executed closing certificate of the City, dated as of the Closing, in the form attached as Exhibit D.

(11) The opinion of counsel of the Trustee, dated as of the Closing, addressed to the Authority, the City and the Underwriter to the effect that:

(i) The Trustee is a national banking association duly organized, validly existing and in good standing under the laws of the State, having full powers and authority and being qualified to enter into, accept and administer the trust created under the Trust Agreement and to enter into the Trust Agreement.

(ii) The Trust Agreement has been duly authorized, executed and delivered by the Trustee, and, assuming due authorization, execution and delivery by the other parties thereto, the Trust Agreement constitutes a legal, valid and binding agreement of the Trustee enforceable in accordance with its terms, subject to laws relating in bankruptcy, insolvency or other laws affecting
the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

(12) A certificate of the Trustee, dated as of the Closing, in the form attached as Exhibit F.

(13) A Certificate as to Arbitrage and a Certificate Regarding Use of Proceeds duly signed on behalf of the Authority and the City.

(14) Evidence of required filings with the California Debt and Investment Advisory Commission.

(15) A copy of the executed Blanket Issuer Letter of Representations by and between the City and DTC relating to the book-entry system.

(16) Evidence that the Bonds have received the rating set forth in the Official Statement.

(17) A certificate of Willdan, as dissemination agent to the City, in substantially the form of Appendix E, to the effect that the City has not failed to comply with all material provisions of its continuing disclosure undertakings during the past five years.

(18) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Authority and the City with legal requirements, the truth and accuracy, as of the date of the Closing, of the representations of the Authority and the City herein contained and of the Official Statement and the due performance or satisfaction by the Authority and the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and the City.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Underwriter. If the Authority and the City are unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter, the Authority nor the City shall be under further obligations hereunder, except that the respective obligations of the Authority, the City and the Underwriter set forth in Section 11 of this Purchase Contract shall continue in full force and effect.

Section 9. Conditions to Authority's and City's Obligations. The performance by the Authority and the City of their respective obligations under this Purchase Contract are conditioned upon: (i) the performance by the Underwriter of its obligations hereunder and (ii) receipt by the Authority and the City of opinions addressed to the Authority and the City, and receipt by the Underwriter of opinions addressed to the Underwriter, and the delivery of certificates being delivered on the date of the Closing by persons and entities other than the Authority and the City.
Section 10. Termination Events. The Underwriter shall have the right to terminate the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds by notifying the Authority and the City of its election to do so if, after the execution hereof and prior to the Closing, any of the following events occurs:

(1) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially and adversely affected by any decision issued by a court of the United States (including the United States Tax Court) or of the State of California, by any ruling or regulation (final, temporary or proposed) issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State of California, or by a tentative decision or announcement by any member of the House Ways and Means Committee, the Senate Finance Committee, or the Conference Committee with respect to contemplated legislation or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or either House of the Legislature of the State of California, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State of California by the Governor of the State of California in an executive communication, affecting the tax status of the Authority or the City, its property or income, its bonds (including the Bonds) or the interest thereon or any tax exemption granted or authorized by the Internal Revenue Code of 1986, as amended;

(2) the United States becomes engaged in hostilities that result in a declaration of war or a national emergency, or any other outbreak of hostilities occurs, or a local, national or international calamity or crisis occurs, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds;

(3) there occurs a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States, New York State or California State authorities;

(4) a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission is issued or made to the effect that the issuance, offering or sale of the Bonds is or would be in violation of any provision of the Securities Act of 1933, as then in effect, or of the Securities Exchange Act of 1934, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(5) legislation is enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court of the United States of America is rendered, or a ruling or regulation by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter is made or proposed to the effect that the Bonds are not exempt from registration, qualification or other similar requirements of the Securities Act of 1933, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(6) in the reasonable judgment of the Underwriter, the market price of the Bonds, or the market price generally of obligations of the general character of the Bonds, might be materially and adversely affected because additional material restrictions not in force
as of the date hereof is imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(7) the Comptroller of the Currency, The New York Stock Exchange, or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, or financial responsibility requirements of the Underwriter;

(8) a general banking moratorium is established by federal, New York or State authorities;

(9) any legislation, ordinance, rule or regulation is introduced in or be enacted by any governmental body, department or agency in the State or a decision of a court of competent jurisdiction within the State is rendered, which, in the opinion of the Underwriter, after consultation with the Authority and the City, materially adversely affects the market price of the Bonds;

(10) any federal or California court, authority or regulatory body takes action materially and adversely affecting the collection of Revenues under the Trust Agreement;

(11) any withdrawal or downgrading of any underlying rating of any securities of the City by a national municipal bond rating agency that, in the opinion of the Underwriter, adversely affects the market price of the Bonds; or

(12) an event occurs which in the reasonable opinion of the Underwriter makes untrue or misleading in any material respect any statement or information contained in the Official Statement (other than any information relating to the Underwriter).

Section 11. Payment of Expenses. (a) The Underwriter shall be under no obligation to pay, and the City shall pay the following expenses incident to the performance of the Authority's and the City's obligations hereunder:

(i) the fees and disbursements of Bond Counsel and Disclosure Counsel and the City's Financial Advisor;

(ii) the cost of printing and delivering the Bonds, the Preliminary Official Statement and the Official Statement (and any amendment or supplement prepared pursuant to Section 4 of this Purchase Contract);

(iii) the fees and disbursements of accountants, advisers and of any other experts or consultants retained by the Authority or the City; and

(iv) any other expenses and costs of the Authority and the City incident to the performance of their respective obligations in connection with the authorization, issuance and sale of the Bonds, including out-of-pocket expenses and regulatory expenses, and any other expenses agreed to by the parties.
(b) The Underwriter shall pay all expenses incurred by it in connection with the public offering and distribution of the Bonds including, but not limited to:

(i) all advertising expenses in connection with the offering of the Bonds; and

(ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds, except as provided in (a) above or as otherwise agreed to by the Underwriter and the City.

Section 12. Notices. Any notice or other communication to be given to the Authority or the City under this Purchase Contract may be given by delivering the same in writing to the Authority and the City at the addresses set forth on the first page of this Purchase Contract, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to ____________.

Section 13. Survival of Representations, Warranties, Agreements. All of the Authority’s and the City’s representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Bonds pursuant to this Purchase Contract. The agreements contained in this Section and in Section 11 shall survive any termination of this Purchase Contract.

Section 14. Benefit; No Assignment. This Purchase Contract is made solely for the benefit of the Authority, the City and the Underwriter (including its successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. The rights and obligations created by this Purchase Contract are not subject to assignment by the Underwriter, the Authority or the City without the prior written consent of the other parties hereto.

Section 15. Severability. In the event that any provision of this Purchase Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 16. Counterparts. This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 17. Governing Law. This Purchase Contract shall be governed by the laws of the State of California.
Section 18. Effectiveness. This Purchase Contract shall become effective upon the
execution of the acceptance hereof by an authorized officer of the Authority and the City, and
shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

[UNDERWRITER TO COME], as
Underwriter

By: ___________________________
Its: __________________________

Accepted:

SAN RAFAEL JOINT POWERS
FINANCING AUTHORITY

By: ___________________________
Treasurer

Time of Execution: ______________________

CITY OF SAN RAFAEL

By: ___________________________
Interim Finance Director

Time of Execution: ______________________
EXHIBIT A

SAN RAFAEL JOINT POWERS FINANCING AUTHORITY
Lease Revenue Refunding Bonds, Series 2012
(Public Parking Project)

MATURITY SCHEDULE

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Principal</th>
<th>Rate</th>
<th>Yield</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>(April 1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

C = priced to the optional par call date of April 1, ___

OPTIONAL AND MANDATORY SINKING FUND REDEMPTION

Optional Redemption. The Bonds maturing on or prior to April 1, 202___ are not subject to optional redemption prior to their maturity. The Bonds maturing on or after April 1, 202___ are subject to redemption at the option of the Authority (which option may be exercised by the City) as a whole or in part on any date on or after April 1, 202___, from such maturities as may be selected by the Authority in the case of a redemption in part, at a redemption price equal to the principal amount of the Bonds subject to redemption, plus accrued interest to the date fixed for redemption, without premium.

Sinking Account Redemption. The Term Bonds maturing April 1, 202___ and April 1, 2033 are subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on April 1, 202___, and April 1, 202___, respectively, and on each April 1 thereafter to and including April 1, 202___, and April 1, 2033, respectively, from money on hand in the Principal Fund at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium. The principal amount of such Bonds to be redeemed and the dates thereof shall be as set forth in the following schedules:

Bonds Maturing April 1, 202___

Exhibit A-1
Bonds Maturing April 1, 2033

<table>
<thead>
<tr>
<th>Redemption Date</th>
<th>Principal Amount</th>
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</thead>
<tbody>
<tr>
<td>(April 1)</td>
<td></td>
</tr>
<tr>
<td>*</td>
<td></td>
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</table>

*Maturity
EXHIBIT B

SAN RAFAEL JOINT POWERS FINANCING AUTHORITY
Lease Revenue Refunding Bonds, Series 2012
(Public Parking Project)

15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of San Rafael (the “City”) and the San Rafael Joint Powers Financing Authority (the “Authority”), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the City and the Authority as follows:

(1) This Certificate is delivered in connection with the offering and sale of the bonds captioned above (the “Bonds”) in order to enable the underwriter of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”).

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, setting forth information concerning the Bonds, the Authority and the City (the "Preliminary Official Statement").

(3) As used herein, “Permitted Omissions” means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of Rule 15c2-12, and the information therein is accurate and complete except for the Permitted Omissions.


CITY OF SAN RAFAEL

By: __________________________
    Authorized Officer

SAN RAFAEL JOINT POWERS
FINANCING AUTHORITY

By: __________________________
    Authorized Officer
EXHIBIT C

$_____  
SAN RAFAEL JOINT POWERS FINANCING AUTHORITY  
Lease Revenue Refunding Bonds, Series 2012  
(Public Parking Project)

CLOSING CERTIFICATE OF THE AUTHORITY

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the San Rafael Joint Powers Financing Authority (the “Authority”), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Authority as follows:

(i) The representations, warranties and covenants of the Authority contained in the Bond Purchase Agreement dated [date], 2012, by and among the Authority, the City of San Rafael and [Underwriter to come], as underwriter (the “Purchase Contract”), are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing.

(ii) The Authority Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented, except as agreed to by the Authority and the Underwriter.

(iii) The Authority has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date of the Closing.

(iv) Subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the Authority, whether or not arising in the ordinary course of the operations of the Authority, as described in the Official Statement.

(v) The Official Statement does not contain any untrue or misleading statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.
Capitalized terms used but not defined herein have the meanings given in the Purchase Contract.

Dated: ____, 2012

SAN RAFAEL JOINT POWERS
FINANCING AUTHORITY

By: __________________________

Authorized Officer
CLOSING CERTIFICATE OF THE CITY

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of San Rafael (the "City"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the City as follows:

(i) The representations, warranties and covenants of the City contained in the Bond Purchase Agreement dated _____, 2012, by and among the City, the San Rafael Joint Powers Financing Authority and [Underwriter to come], as underwriter (the "Purchase Contract") are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing.

(ii) The City Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented, except as agreed to by the City and the Underwriter.

(iii) The City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date of the Closing.

(iv) Subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the City, whether or not arising in the ordinary course of operations, as described in the Official Statement.

(v) The Official Statement does not contain any untrue or misleading statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.
Capitalized terms used but not defined herein have the meanings given in the Purchase Contract.

Dated: ______, 2012

CITY OF SAN RAFAEL

By: __________________________

Authorized Officer
EXHIBIT E

SAN RAFAEL JOINT POWERS FINANCING AUTHORITY
Lease Revenue Refunding Bonds, Series 2012
(Public Parking Project)

CERTIFICATE OF DISSEMINATION AGENT
REGARDING CONTINUING DISCLOSURE

The undersigned hereby states and certifies that:

(i) I am an authorized representative of ____________, which acts as dissemination agent (the "Dissemination Agent") in connection with each of the continuing disclosure undertakings of the _______ (the "___") pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule"), and as such, I am familiar with the facts herein certified and am authorized and qualified to certify the same; and

(ii) in our capacity as Dissemination Agent, we have reviewed the previous undertakings of the District pursuant to the Rule, and all annual filings and other event filings (if any) made pursuant thereto, and conclude that in the previous five years, [Option #1: the District has filed each annual report in a complete and timely manner, and all event filings required to be made pursuant to the Rule have also been made in a timely manner pursuant to the Rule] [Option #2: the information in the Official Statement under the heading "CONTINUING DISCLOSURE" is accurate with respect to the District’s filing history for the previous five years].

Dated: ___________

__________, as Dissemination Agent

By: ________________________

Authorized Officer

Exhibit E-1
CLOSING CERTIFICATE OF THE TRUSTEE

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of Union Bank, N.A. (the “Trustee”), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Trustee as follows:

(i) The Trustee has all necessary power to enter into the Trust Agreement, dated as of April 1, 2003 (the “Original Trust Agreement”), as amended and supplemented by a First Amendment to Trust Agreement, dated as of July 1, 2012 (the “First Amendment to Trust Agreement”) and a First Supplemental Trust Agreement, dated as of July 1, 2012 (the “First Supplemental Trust Agreement”); together, the Original Trust Agreement, the First Amendment to Trust Agreement and the First Supplemental Trust Agreement are referred to in this Agreement as the “Trust Agreement”); and

(ii) The Trust Agreement has been duly authorized, executed and delivered by the Trustee and the Trust Agreement constitutes the legal, valid and binding obligation of the Trustee 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;

(iii) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the Trustee or the performance by the Trustee of its duties and obligations under the Trust Agreement;

(iv) The execution and delivery by the Trustee of the Trust Agreement and compliance with the terms thereof will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement need be made by such counsel with respect to any federal or State securities or blue sky laws or regulations); and

(v) There is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending, or to the best knowledge of the Trustee, threatened against the Trustee which in the reasonable judgment of the Trustee would affect the existence of the Trustee or in any way contesting or affecting the validity or
enforceability of the Trust Agreement or contesting the powers of the Trustee or its authority to enter into and perform its obligation thereunder.