# PRELIMINARY OFFICIAL STATEMENT DATED APRIL __, 2009

**NEW ISSUE - FULL BOOK-ENTRY**

**RATINGS:**
**Standard & Poor's: "___"**
**Moody's: "___"**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS - Tax Exemption."

## $15,000,000
## CITY OF MARTINEZ
## General Obligation Bonds
## Election of 2008, Series A
## (Bank-Qualified)

**Dated: Date of Delivery** **Due August 1, as shown on inside front cover**

***Issuance.*** The general obligation bonds captioned above (the "Bonds") are being issued by the City of Martinez (the "City") under provisions of California Government Code and under a Resolution adopted by the City Council of the City (the "City Council") on April 1, 2009. The Bonds were authorized at an election of the registered voters of the City held on November 4, 2008, at which more than two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed $30,000,000 principal amount of general obligation bonds. The Bonds are the first series of bonds to be sold and issued under this authorization. See "THE BONDS - Authority for Issuance."

***Purpose.*** The Bonds are being issued to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements in the City. See "PLAN OF FINANCE - Purpose of Issue."

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

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

***Payments.*** Interest on the Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2010. Payments of principal and interest on the Bonds will be paid by U.S. Bank National Association, as Paying Agent, to DTC for subsequent disbursement to DTC Participants, which will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS - Description of the Bonds."

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

**Maturity Schedule**
**(See inside cover)**

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

The Bonds will be sold at a competitive sale to be held on May 5, 2009, as set forth in the Official Notice of Sale. The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the City, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the City. Certain legal matters are being passed upon for the City by the City Attorney. It is anticipated that the Bonds, in book entry form, will be available for delivery by DTC in New York, New York, on or about May __, 2009.

The date of this Official Statement is May __, 2009.

* Preliminary, subject to change.

**MATURITY SCHEDULE***
**(Base CUSIP:† ______)**

**$__________ Serial Bonds**

| Maturity Date (August 1) | Principal Amount | Interest Rate | Price | Yield | CUSIP† |
|---|---|---|---|---|---|

$________ _____% Term Bond Due August 1, 20__, Priced to Yield: _____%, CUSIP† No.: ___

$________ _____% Term Bond Due August 1, 20__, Priced to Yield: _____%, CUSIP† No.: ___

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

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

***No Offering Except by This Official Statement.*** No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter.

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

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

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

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

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

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

# CITY OF MARTINEZ

## CITY COUNCIL

Rob Schroder, *Mayor*
Michael Menesini, *Vice Mayor*
Lara DeLaney, *Councilmember*
Janet Kennedy, *Councilmember*
Mark Ross, *Councilmember*

## OTHER ELECTED OFFICIALS

Carolyn Robinson, *City Treasurer*
Gary Hernandez, *City Clerk*

---

## CITY STAFF

Philip A. Vince, *City Manager*
Lianne Marshall, *Assistant City Manager-Administrative Services*
Karen L. Majors, *Assistant City Manager-Community & Economic Development*
Cathy Heater, *Finance Manager*
Joann de Graef Tool, *Deputy Parks & Community Services Director*
Jeff Walter, *City Attorney*

---

# PROFESSIONAL SERVICES

## BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
*San Francisco, California*

## FINANCIAL ADVISOR

Public Financial Management, Inc.
*San Francisco, California*

## BOND REGISTRAR, TRANSFER AGENT, AND PAYING AGENT

U.S. Bank National Association
*San Francisco, California*

## TABLE OF CONTENTS


INTRODUCTION .................................... 1
PLAN OF FINANCE ................................ 3
Purpose of Issue ..................................... 3
Sources and Uses of Funds ..................... 3
THE BONDS .......................................... 4
Authority for Issuance ............................. 4
Description of the Bonds .......................... 4
Payment ................................................. 5
Redemption ........................................... 5
Registration, Transfer and Exchange of Bonds ................................................. 7
Defeasance ............................................ 7
DEBT SERVICE SCHEDULE .................. 9
SECURITY FOR THE BONDS .............. 10
Ad Valorem Taxes ................................ 10
Debt Service Fund ................................ 10
Bond Service Fund ............................... 11
Limited Obligation ................................. 11
PROPERTY TAXATION ........................ 11
Property Tax Collection Procedures....... 11
Taxation of State-Assessed Utility Property ............................................ 12
Alternative Method of Tax Apportionment - Teeter Plan .............. 12
Assessed Valuation .............................. 13
Tax Rates ............................................ 16
Tax Levies and Delinquencies ............... 16
Major Taxpayers ................................... 17
Direct and Overlapping Debt .................. 17
CONSTITUTIONAL AND STATUTORY PROVISIONS .................................... 19
AFFECTING CITY REVENUES AND APPROPRIATIONS .......................... 19
Article XIIIA of the State Constitution ..... 19
Legislation Implementing Article XIIIA .... 19
Article XIIIB of the State Constitution ..... 20
Articles XIIIC and XIIID of the State Constitution ....................................... 21
Proposition 62 ....................................... 22
Proposition 1A ....................................... 22
Possible Future Initiatives ...................... 23
LEGAL MATTERS ................................ 23
Tax Exemption ...................................... 23
Continuing Disclosure ............................ 24
Absence of Material Litigation ................ 24
RATINGS .............................................. 24
FINANCIAL ADVISOR ........................... 25
UNDERWRITING .................................. 25
EXECUTION .......................................... 25

APPENDIX A - GENERAL DEMOGRAPHIC INFORMATION REGARDING THE CITY OF MARTINEZ AND CONTRA COSTA COUNTY
APPENDIX B - CITY FINANCIAL INFORMATION
APPENDIX C - FISCAL YEAR 2007-08 COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE CITY
APPENDIX D - PROPOSED FORM OF OPINION OF BOND COUNSEL
APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE
APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM

# OFFICIAL STATEMENT

## $15,000,000*
## CITY OF MARTINEZ
## General Obligation Bonds
## Election of 2008, Series A

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

### INTRODUCTION

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

***The City***. The City is located in Contra Costa County (the "**County**"), California (the "**State**"), approximately 30 miles northeast of San Francisco, and encompasses an area of approximately 12.5 square miles. The City was established in 1876 and is a general law city with a population as of January 1, 2008, of 36,144 persons.

See "APPENDIX A - GENERAL DEMOGRAPHIC INFORMATION REGARDING THE CITY OF MARTINEZ AND CONTRA COSTA COUNTY," "APPENDIX B - CITY FINANCIAL INFORMATION" and "APPENDIX C - FISCAL YEAR 2007-08 COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE CITY," for demographic and financial information regarding the City

***Authority for Issuance***. The Bonds represent a sale of bonds approved by more than two-thirds of the qualified voters in the City, voting at a municipal election on November 4, 2008 approving the issuance of up to $30,000,000 of general obligation bonds.

The Bonds are being issued under Chapter 4 (commencing with section 43600) of Division 4 of Title 4 of the California Government Code; under a Resolution adopted by the City Council of the City (the "**City Council**") on April 1, 2009 (the "**Bond Resolution**"); and under a Paying Agent Agreement (the "**Paying Agent Agreement**") dated as of May 1, 2009, by and between the City and U.S. Bank National Association, as paying agent (the "**Paying Agent**"). The Bonds are the first series of bonds to be sold and issued under this authorization. See "THE BONDS - Authority for Issuance."

* Preliminary, subject to change.

***Purpose for Issuance***. The Bonds are being issued to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements within the City. "PLAN OF FINANCE - Purpose of Issue."

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

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

Interest on the Bonds accrues from the Dated Date and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2010. See "THE BONDS - Description of the Bonds."

***Early Redemption.*** The Bonds are subject to optional and mandatory redemption prior to their maturity as described in "THE BONDS - Redemption."

***Other Information.*** This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the City of Martinez City Clerk, 525 Henrietta Street, Martinez, California 94553, (925) 372-3500. The City may impose a charge for copying, mailing and handling.

## PLAN OF FINANCE

### Purpose of Issue

The net proceeds of the Bonds will be used to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements within the City.

### Sources and Uses of Funds

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

| | |
|---|---|
| **Sources of Funds** | |
| Principal Amount of Bonds | $ |
| Plus: Net Original Issue Premium | |
| *Total Sources* | |
| **Uses of Funds** | |
| Deposit to Debt Service Fund | $ |
| Deposit to Project Fund | |
| Costs of Issuance (1) | |
| *Total Uses* | |

(1) Includes Bond Counsel fees, financial advisor fees, rating fees, printing expenses, Underwriter's Discount, and other costs of issuance with respect to the Bonds.

# THE BONDS

## Authority for Issuance

The Bonds are issued under Chapter 4 (commencing with section 43600) of Division 4 of Title 4 of the California Government Code (the "**Act**") and other applicable law; under a resolution adopted by the City Council on April 1, 2009; and under the Paying Agent Agreement.

The City received authorization at an election held on November 4, 2008, by an affirmative vote of 68.95% of the eligible voters within the City (the "**Authorization**") to issue $30,000,000 of general obligation bonds. The Bonds are the first series of Bonds to be sold and issued under the Authorization.

## Description of the Bonds

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

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

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

See "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

***Interest.*** Interest with respect to the Bonds is payable semiannually on February 1 and August 1 of each year (the "**Interest Payment Dates**"), commencing February 1, 2010.

Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated prior to an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is registered and authenticated prior to a Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (iii) it is registered and authenticated prior to January 15, 2010, in which event it will bear interest from the date of original issuance and authentication of the Bonds; *provided,* however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

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

***Denominations and Maturity.*** The Bonds shall be issued in the denomination of $5,000 each or any integral multiple of $5,000. The Bonds mature on August 1 in the years and amounts set forth on the inside cover page hereof.

See the maturity schedule on the inside cover page hereof and "DEBT SERVICE SCHEDULE" below.

**Payment**

Interest on the Bonds (including the final interest payment upon maturity or early redemption) is payable by check of the Paying Agent mailed on the Interest Payment Date to the owner thereof at such owner's address as it appears on the Bond Register maintained by the Paying Agent at the close of business on the 15th day of the month preceding the Interest Payment Date, or at such other address as the owner may have filed with the Paying Agent for that purpose; *provided* that an owner of $1,000,000 or more aggregate principal amount of Bonds, or the owner of all of the Bonds at the time outstanding, will, at his or her option, receive payment of interest by wire transfer to an account in the United States of America designated by such owner to the Paying Agent no later than the 15th day of the month immediately preceding the applicable Interest Payment Date.

Principal of the Bonds is payable in lawful money of the United States of America at the principal office of the Paying Agent.

**Redemption**

***Optional Redemption.*** The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their fixed maturity dates. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective maturity dates as a whole on any date, or in part on any Interest Payment Date, as designated by the City and, absent any such designation, in inverse order of maturities and by lot within a maturity from money provided at the option of the City, in each case on and after August 1, 20__, at a redemption price of par plus accrued but unpaid interest to the date of redemption, without premium.

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

**Term Bond Due August 1, 20__**

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

**Term Bond Due August 1, 20__**

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

***Redemption Procedure.*** The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the bond registration books maintained by the Paying Agent and to the Securities Depositories (as such term is defined in the Paying Agent Agreement); but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds.

The Paying Agent will not mail any notice of redemption until it has sufficient moneys on deposit to pay the redemption price of all Bonds to be redeemed; *provided*, however, that such restriction will not apply when the Bonds are redeemed with the proceeds of another obligation of the City; and provided further that in the event the Bonds are being redeemed with such proceeds, the City will have the right to cancel the notice of redemption by providing written notice of such cancellation to the Paying Agent at least seven business days prior to the date set for redemption.

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

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

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

**Registration, Transfer and Exchange of Bonds**

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

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

***Transfer.*** Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept by the Paying Agent, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The Paying Agent will require the payment by the owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

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

No transfers of Bonds will be required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption (except with respect to the unredeemed portion thereof).

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

No exchanges of Bonds will be required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption (except with respect to the unredeemed portion thereof).

**Defeasance**

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

(a) by paying or causing to be paid the principal of, and interest and any premium on, such outstanding Bonds, as and when they become due and payable;

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

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

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

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

“**Federal Securities**” means Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

## DEBT SERVICE SCHEDULE

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

| Year Ending August 1 | Bonds Principal Payment | Bonds Interest Payment | Total Bonds Debt Service |
|---|---|---|---|
| 2010 | | | |
| 2011 | | | |
| 2012 | | | |
| 2013 | | | |
| 2014 | | | |
| 2015 | | | |
| 2016 | | | |
| 2017 | | | |
| 2018 | | | |
| 2019 | | | |
| 2020 | | | |
| 2021 | | | |
| 2022 | | | |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| **Total** | | | |

## SECURITY FOR THE BONDS

### Ad Valorem Taxes

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

***Levy and Collection.*** The City will levy and the County will collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Bonds, which is maintained by the City and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due. If and to the extent the amount of such *ad valorem* taxes collected is insufficient to pay debt service on the Bonds, the City is obligated under the Paying Agent Agreement to use any other moneys lawfully available therefore to pay debt service on the Bonds.

City property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

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

Economic and other factors beyond the City's control, such as economic recession, deflation of land values, a relocation out of the City or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other natural disaster, could cause a reduction in the assessed value within the City and necessitate a corresponding increase in the annual tax rate.

### Debt Service Fund

The City will establish the Debt Service Fund (the "**Debt Service Fund**"), which will be established as a separate fund to be maintained distinct from all other funds of the City. Into the Debt Service Fund will be deposited: (1) the proceeds of *ad valorem* taxes levied to pay debt service on the Bonds; and (2) if any, other moneys lawfully available to pay debt service on the Bonds as provided in the Paying Agent Agreement.

All moneys in the Debt Service Fund will be used and withdrawn by the City solely for the purpose of paying the principal of and interest on the Bonds as they become due and payable. At least five Business Days prior to each Interest Payment Date, commencing in January 2010, the City will transfer to the Paying Agent moneys on deposit in the Debt Service

Fund for application by the Paying Agent on the next succeeding Interest Payment Date to the payment of principal of and interest on the Bonds.

### Bond Service Fund

The Paying Agent Agreement establishes, as a separate fund, the Bond Service Fund, to be held by the Paying Agent. All moneys received by the Paying Agent from the City from the Debt Service Fund will be deposited into the Bond Service Fund. The moneys on deposit in the Bond Service Fund will be used solely to pay principal and interest on the Bonds when due.

### Limited Obligation

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

## PROPERTY TAXATION

### Property Tax Collection Procedures

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

Property taxes on the secured roll are due in two installments, on November 1 and 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 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

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

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

**Taxation of State-Assessed Utility Property**

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

**Alternative Method of Tax Apportionment - Teeter Plan**

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 *et seq*. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions, including the City, for which the County acts as the tax-levying or tax-collecting agency. The Teeter Plan was effective beginning the fiscal year commencing July 1, 1993.

The Teeter Plan is applicable to all tax levies on secured property for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections.

The *ad valorem* property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy in fiscal year 2009-10. The City will receive 100% of the *ad valorem* property tax on secured property levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the City) for which the County acts as the tax-levying or tax-collecting agency.

**Assessed Valuation**

***Assessed Valuation History.*** The table below shows a five-year history of the City's assessed valuation. Over the last five years, the City's assessed valuation has increased by 27.0%, representing an average annual compound growth rate of approximately 6.2% percent.

**CITY OF MARTINEZ**
**Assessed Valuations of Taxable Property**
**Fiscal Years 2004-05 to 2008-09**

| Fiscal Year | Local Secured | Utility | Unsecured | Total Before Rdv. Increment |
|---|---|---|---|---|
| 2004-05 | $3,444,627,895 | $1,275,350 | $158,892,616 | $3,604,795,861 |
| 2005-06 | 3,734,280,945 | 1,207,049 | 154,169,708 | 3,889,657,702 |
| 2006-07 | 4,037,277,686 | 1,041,909 | 153,372,759 | 4,191,692,354 |
| 2007-08 | 4,339,782,741 | 100,000 | 164,185,518 | 4,504,068,259 |
| 2008-09 | 4,400,436,279 | 100,000 | 178,155,012 | 4,578,691,291 |

*Source: California Municipal Statistics, Inc.*

***Assessed Valuation by Land Use.*** The following table shows the land use of parcels in the City, according to assessed valuation. As shown, the majority of land in the City is used for residential purposes.

**CITY OF MARTINEZ**
**Assessed Valuation and Parcels by Land Use**
**Fiscal Year 2008-09**

| Land Use | 2008-09 Secured Assessed Valuation (1) | % of Total | No. of Parcels | % of Total |
|---|---|---|---|---|
| Non-Residential: | | | | |
| Rural/Developed | $ 15,443,775 | 0.35% | 25 | 0.19% |
| Commercial | 271,892,511 | 6.18 | 266 | 2.03 |
| Vacant Commercial | 4,851,648 | 0.11 | 30 | 0.23 |
| Industrial | 425,243,421 | 9.66 | 74 | 0.57 |
| Vacant Industrial | 1,647,364 | 0.04 | 15 | 0.11 |
| Recreational | 3,251,167 | 0.07 | 3 | 0.02 |
| Government/Social/Institutional | 19,673,044 | 0.45 | 341 | 2.60 |
| *Subtotal Non-Residential* | $742,002,930 | 16.86% | 754 | 5.76% |
| Residential: | | | | |
| Single Family Residence | $2,915,947,601 | 66.26% | 9,674 | 73.88% |
| Condominium/Townhouse | 471,045,149 | 10.7 | 1,964 | 15.00 |
| 2-4 Residential Units | 87,311,182 | 1.98 | 299 | 2.28 |
| 5+ Residential Units/Apartments | 161,659,036 | 3.67 | 70 | 0.53 |
| Vacant Residential | 22,470,381 | 0.51 | 334 | 2.55 |
| *Subtotal Residential* | $3,658,433,349 | 83.14% | 12,341 | 94.24% |
| **Total** | $4,400,436,279 | 100.00% | 13,095 | 100.00% |

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
*Source: California Municipal Statistics, Inc.*

***Assessed Valuation of Single Family Residential Parcels.*** The following table shows a break down of the assessed valuations of Single Family Residential parcels in the City, according to assessed valuation

**CITY OF MARTINEZ**
**Per Parcel 2008-09 Assessed Valuation**
**of Single Family Homes**

| | No. of Parcels | 2008-09 Assessed Valuation | Average Assessed Valuation | Median Assessed Valuation |
|---|---|---|---|---|
| Single Family Residential | 9,674 | $2,915,947,601 | $301,421 | $277,360 |

| 2008-09 Assessed Valuation | No. of Parcels (1) | % of Total | Cumulative % of Total | Total Valuation | % of Total | Cumulative % of Total |
|---|---|---|---|---|---|---|
| $0 - $24,999 | 23 | 0.238% | 0.238% | $ 462,337 | 0.016% | 0.016% |
| $25,000 - $49,999 | 318 | 3.287 | 3.525 | 12,859,808 | 0.441 | 0.457 |
| $50,000 - $74,999 | 717 | 7.412 | 10.937 | 45,336,490 | 1.555 | 2.012 |
| $75,000 - $99,999 | 418 | 4.321 | 15.257 | 36,293,516 | 1.245 | 3.256 |
| $100,000 - $124,999 | 370 | 3.825 | 19.082 | 41,776,074 | 1.433 | 4.689 |
| $125,000 - $149,999 | 343 | 3.546 | 22.628 | 47,190,088 | 1.618 | 6.307 |
| $150,000 - $174,999 | 348 | 3.597 | 26.225 | 56,517,871 | 1.938 | 8.246 |
| $175,000 - $199,999 | 514 | 5.313 | 31.538 | 96,706,968 | 3.316 | 11.562 |
| $200,000 - $224,999 | 533 | 5.510 | 37.048 | 113,099,205 | 3.879 | 15.441 |
| $225,000 - $249,999 | 646 | 6.678 | 43.725 | 153,362,118 | 5.259 | 20.700 |
| $250,000 - $274,999 | 555 | 5.737 | 49.462 | 145,434,229 | 4.988 | 25.688 |
| $275,000 - $299,999 | 544 | 5.623 | 55.086 | 156,335,178 | 5.361 | 31.049 |
| $300,000 - $324,999 | 472 | 4.879 | 59.965 | 147,283,659 | 5.051 | 36.100 |
| $325,000 - $349,999 | 412 | 4.259 | 64.224 | 138,840,250 | 4.761 | 40.861 |
| $350,000 - $374,999 | 371 | 3.835 | 68.059 | 134,334,754 | 4.607 | 45.468 |
| $375,000 - $399,999 | 360 | 3.721 | 71.78 | 139,551,683 | 4.786 | 50.254 |
| $400,000 - $424,999 | 384 | 3.969 | 75.749 | 158,446,203 | 5.434 | 55.688 |
| $425,000 - $449,999 | 335 | 3.463 | 79.212 | 146,439,802 | 5.022 | 60.710 |
| $450,000 - $474,999 | 330 | 3.411 | 82.624 | 152,700,826 | 5.237 | 65.947 |
| $475,000 - $499,999 | 326 | 3.370 | 85.993 | 158,896,251 | 5.449 | 71.396 |
| $500,000 and greater | 1,355 | 14.007 | 100.000 | 834,080,291 | 28.604 | 100.000 |
| **Total** | 9,674 | 100.00% | | $2,915,947,601 | 100.00% | |

*(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.*
*Source: California Municipal Statistics, Inc.*

## Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 5-000 for each $100 of assessed valuation during the fiscal years 2004-05 through 2008-09.

**CITY OF MARTINEZ**
**Summary of Ad Valorem Tax Rates**
**$1 per $100 of Assessed Valuation**
**Fiscal Years 2004-05 to 2008-09**
**(Tax Rate Area 5-000)**

| Ad Valorem Tax | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|
| General Tax Rate | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |
| Bay Area Rapid Transit District | -- | 0.0048 | 0.0050 | 0.0076 | 0.0090 |
| Contra Costa Community College District | 0.0042 | 0.0047 | 0.0043 | 0.0108 | 0.0066 |
| East Bay Regional Park District | 0.0057 | 0.0057 | 0.0085 | 0.0080 | 0.0100 |
| Martinez Unified School District | 0.0923 | 0.0904 | 0.0794 | 0.0557 | 0.0597 |
| **Total All Property Tax Rate** | 1.1079 | 1.1106 | 1.1015 | 1.0860 | 1.0853 |
| **Total Land Only Tax Rate** | 0.0057 | 0.0050 | 00.043 | 0.0039 | 0.0041 |

*Source: California Municipal Statistics, Inc.*

## Tax Levies and Delinquencies

The following table is a five year summary of *ad valorem* property tax levies, dollars delinquent and delinquency rates on property within the City. Because the City currently participates in the Teeter Plan, the amount of *ad valorem* property taxes received by the City is equal to the amount levied rather than the amount collected by the County. See "- Alternative Method of Apportionment - Teeter Plan," above.

**CITY OF MARTINEZ**
**Total Tax Levies and Delinquencies**
**(As of June 30)**

| Fiscal Year | Secured Tax Charge (1) | Amount Delinquent | % Delinquent |
|---|---|---|---|
| 2003-04 | $ 41,290,040.17 | $ 458,649.11 | 1.11% |
| 2004-05 | 43,666,168.16 | 502,869.08 | 1.15 |
| 2005-06 | 46,287,047.17 | 693,640.08 | 1.50 |
| 2006-07 | 50,770,527.35 | 1,249,048.89 | 2.46 |
| 2007-08 | 55,018,925.03 | 1,718,543.06 | 3.12 |

(1) All taxes collected by the County within the City.
*Source: California Municipal Statistics, Inc.*

## Major Taxpayers

The following table shows the twenty largest taxpayers in the City as determined by their secured assessed valuations in 2008-09:

**CITY OF MARTINEZ**
**Largest 2008-09 Local Secured Taxpayers**

| No. | Property Owner | Primary Land Use | 2008-09 Assessed Valuation | % of Total (1) |
|---|---|---|---|---|
| 1 | Equilon Enterprises LLC | Heavy Industrial | $150,161,274 | 3.41% |
| 2 | Pacific Atlantic Terminals LLC | Heavy Industrial | 114,042,459 | 2.59 |
| 3 | Stauffer Chemical Company | Heavy Industrial | 28,765,120 | 0.65 |
| 4 | KW Hidden Creek LLC | Apartments | 21,930,000 | 0.50 |
| 5 | Shell Chemical LP | Heavy Industrial | 21,782,349 | 0.50 |
| 6 | Kenneth H. & Martha Hofmann | Office Building | 18,827,144 | 0.43 |
| 7 | Wal-Mart Real Estate Business Trust | Commercial | 18,794,378 | 0.43 |
| 8 | Muir Station Center LLC | Shopping Center | 18,571,134 | 0.42 |
| 9 | Collier Village Oaks LLC | Shopping Center | 18,506,511 | 0.42 |
| 10 | Muirwood Square Investors | Apartments | 18,101,943 | 0.41 |
| 11 | Swan Lake Apartments | Apartments | 17,340,000 | 0.39 |
| 12 | Tesoro Refining & Marketing Co. | Heavy Industrial | 17,290,042 | 0.39 |
| 13 | The Center-Martinez | Light Industrial | 12,116,685 | 0.28 |
| 14 | David W. White | Light Industrial | 11,340,360 | 0.26 |
| 15 | Wickland Oil Company | Industrial Park | 10,673,316 | 0.24 |
| 16 | Muir Creek Investors | Apartments | 9,915,175 | 0.23 |
| 17 | BLAI LP | Apartments | 9,858,024 | 0.22 |
| 18 | Plum Tree | Apartments | 9,671,704 | 0.22 |
| 19 | Todd W. & Karen Sue Lockwood | Apartments | 8,477,874 | 0.19 |
| 20 | Cranbrook Realty Investment | Office Building | 7,547,901 | 0.17 |
| | | | $543,713,393 | 12.36% |

(1) 2008-09 Local Secured Assessed Valuation: $4,400,436,279.
*Source: California Municipal Statistics, Inc.*

## Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and effective June 30, 2008. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column is the total dollar amount of obligations outstanding of each public agency identified in column 1; (3) the third column shows the percentage that the

City's assessed valuation represents of the total assessed valuation of each public agency identified in column 1; and (4) the fourth column is an apportionment of the dollar amount of each public agency's outstanding debt to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in column 3.

**CITY OF MARTINEZ**
**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT**
**(As of January 1, 2009)**

2008-09 Assessed Valuation: $4,578,691,291

| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable | Debt 1/1/09 |
|---|---|---|
| Bay Area Rapid Transit District | 1.039% | $4,585,730 |
| East Bay Regional Park District | 1.532 | 1,943,342 |
| Contra Costa Community College District | 3.318 | 5,841,339 |
| Martinez Unified School District | 49.375 | 11,954,674 |
| Mount Diablo Unified School District | 5.929 | 12,639,739 |
| Mount Diablo Unified School District Community Facilities District #1 | 5.929 | 3,770,844 |
| **City of Martinez** (1) | **100.000** | **-** |
| **City of Martinez Special Assessment District 1915 Act Bonds** | **100.000** | **850,000** |
| TOTAL DIRECT AND OVERLAPPING TAX ASSESSMENT DEBT | | $41,585,668 |

| OVERLAPPING GENERAL FUND OBLIGATION DEBT | | |
|---|---|---|
| Contra Costa County Certificates of Participation | 3.307% | $9,920,339 |
| Contra Costa County Pension Obligations | 3.307 | 16,303,014 |
| Contra Costa Fire Protection District Pension Obligations | 7.377 | 9,108,013 |
| Contra Costa Community College District Certificates of Participation | 3.318 | 36,830 |
| **City of Martinez Certificates of Participation** | **100.000** | **1,185,000** |
| Mount Diablo Unified School District Certificates of Participation | 5.929 | 336,174 |
| TOTAL DIRECT OVERLAPPING GENERAL FUND OBLIGATION DEBT | | $36,889,370 |
| | | |
| COMBINED TOTAL DEBT (2) | | $78,475,038 |

<u>Ratios to 2008-09 Assessed Valuation</u>:

**Combined Direct Debt.......................................0.03%**
Total Direct and Overlapping Tax and Assessment Debt........0.91%
Combined Total Debt..........................................1.71%

(1) Excludes Bonds to be sold.
(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
*Source: California Municipal Statistics, Inc.*

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

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

### Article XIIIA of the State Constitution

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

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

### Legislation Implementing Article XIIIA

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

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

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

**Article XIIIB of the State Constitution**

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

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

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

The City has never exceeded its appropriations limit.

**Articles XIIIC and XIIID of the State Constitution**

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

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

Article XIIID 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 XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the City is unable to continue to collect these revenues, the services and programs funded with these revenues would have to be curtailed and/or the City's General Fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the fees, charges and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the City's General Fund to continue to support these activities.

Article 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.

**Proposition 62**

Proposition 62 was adopted by the voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

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

**Proposition 1A**

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

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

**Possible Future Initiatives**

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

## LEGAL MATTERS

**Tax Exemption**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The City has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, which provides an exception to the prohibition against the ability of a "financial institution" (as defined in the Internal Revenue Code of 1986) to deduct its interest expense allocable to tax-exempt interest, such that a deduction for federal income tax purposes is allowed for 80 percent of that portion of such financial institution's interest expense allocable to interest payable on the Bonds.

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

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on 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 on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D.

### Continuing Disclosure

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than nine months after the end of the City's fiscal year (which date would be the March 31 following the current end of the City's fiscal year on June 30), commencing with the report for the 2008-09 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events, if material. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE," attached to this Official Statement. These covenants have been made in order to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**").

The City has had no instance in the previous five years in which it failed to comply in all material respects with any previous continuing disclosure obligation under the Rule.

### Absence of Material Litigation

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

## RATINGS

Upon issuance of the Bonds, Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("**S&P**") will assin the Bonds an underlying rating of "___" and Moody's Investors Service ("**Moody's**") will assign the Bonds an underlying rating of "____".

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

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

## FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., of San Francisco, California, as financial advisor (the "**Financial Advisor**") in connection with the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Public Financial Management, Inc., is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## UNDERWRITING

Under the terms of a competitive bid held on May 5, 2009, ___________________ (the "**Underwriter**") has agreed to purchase the Bonds at a price of $_____________ (which is equal to the aggregate principal amount of the Bonds, plus a net original issue premium of $__________, less an Underwriter's discount of $__________ and less $________ tp be retained by the Underwriters and used to pay the costs of issuing the Bonds). 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 "Official Notice of Sale," including the approval of certain legal matters by counsel and certain other conditions.

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

## EXECUTION

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

**CITY OF MARTINEZ**

By: ________________________________________
City Manager

# APPENDIX A

## GENERAL DEMOGRAPHIC INFORMATION REGARDING THE CITY OF MARTINEZ AND CONTRA COSTA COUNTY

### The City

The City is located in Contra Costa County approximately 30 miles northeast of San Francisco, and encompasses an area of approximately 12.5 square miles. The City was established in 1876 and is a general law city pursuant to the California Government Code. The City also serves as the County seat for the County. The City has a Council-Manager form of government, with five elected Council members served by a full-time City Manager and staff. The City Council consists of a Mayor and four other councilmembers. The City Treasurer and City Clerk are also elected positions.

### Population

The State Department of Finance estimates the 2008 population of the City to be 36,144. The following table summarizes the City's population in 1990, 2000 and from 2004 through 2008.

**CITY OF MARTINEZ, CONTRA COSTA COUNTY AND STATE OF CALIFORNIA**
**Population Estimates**
**(As of January 1)**

| Year | City of Martinez | Contra Costa County | State of California |
|---|---|---|---|
| 1990 | 31,810 | 797,600 | 29,758,213 |
| 2000 | 35,866 | 948,816 | 33,873,086 |
| 2004 | 36,972 | 1,008,175 | 36,245,016 |
| 2005 | 36,770 | 1,019,101 | 36,728,196 |
| 2006 | 36,306 | 1,029,377 | 37,172,015 |
| 2007 | 36,018 | 1,037,580 | 37,559,440 |
| 2008 | 36,144 | 1,051,674 | 38,049,462 |

*Source: California Department of Finance.*

### Municipal Services

The City provides municipal services including police protection, community and economic development, recreation activities, parks and street maintenance, water utilities and general City administration. As of June 30, 2008, the City employed 170 total employees, including part-time and seasonal staff.

Fire protection and emergency medical services in the City are provided by the Contra Costa County Fire Protection District. The Contra Costa County Fire Protection District ranks among the fourteen largest metropolitan fire agencies in the State and provides services to nine cities and unincorporated areas in the County, serving a population of 600,000 across a 304 square-mile area with a total of 30 fire stations.

**Education**

The City is served by two public school districts. The Martinez Unified School District provides K-12 educational services in four elementary schools, one middle school and two high schools, while the Mount Diablo Unified School District provides educational services in one elementary school and one high school.

**Health Services**

Hospital services for residents of the City are provided by three medical facilities located in the City. The Contra Costa Regional Medical Center was remodeled and expanded in the 1990's and is a full service county hospital that offers a complete array of patient-centered health care services. The Kaiser Permanent Martinez Medical Center and the Veterans Affairs Medical Center are also located in the City and offer a wide variety of medical services.

**Utilities**

Natural gas and electricity are provided by Pacific Gas and Electric Company. Water service is provided by the City and Contra Costa Water District. Wastewater is collected and treated by the Central Contra Costa Sanitary District. Solid waste disposal services are provided in the City by Pleasant Hill Bayshore Disposal.

**Major Employers**

The following table lists the major employers within the City:

**CITY OF MARTINEZ**
**Major Employers**
**Fiscal Year 2007-08**

| Employers | Number of Employees | % of Total City Employment |
|---|---|---|
| Contra Costa County (1) | 10,000 | 45.2% |
| Kaiser Permanente | 765 | 3.5 |
| Shell Oil Refinery | 725 | 3.3 |
| Veterans Administration Medical Center | 700 | 3.2 |
| Martinez Unified School District | 425 | 1.9 |
| Wal-Mart Store | 300 | 1.4 |
| Contra Costa Electric | 250 | 1.1 |
| Safeway Stores | 205 | 0.9 |
| City of Martinez (2) | 170 | 0.8 |
| California Grand Casino | 145 | 0.7 |
| **Total** | 13,685 | 61.9% |

(1) Contra Costa County employee count represents the entire County Workforce.
(2) Includes seasonal employees
*Source: City of Martinez, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008.*

The following table lists the major employers within the County:

**COUNTY OF CONTRA COSTA**
**Major Employers**
**(As of January 2008)**

| Employer Name | Location | Industry |
|---|---|---|
| ADP | San Ramon | Payroll Preparation Service |
| Bart | Richmond | Transit Lines |
| Berlex Biosciences | Richmond | Pharmaceutical Preparation (Mfrs) |
| Big Blow Tyre Barn | Crockett | Real Estate Loans |
| Chevron Corp | San Ramon | Oil Refiners (Manufacturers) |
| Chevron Global Downstream Llc | San Ramon | Service Stations-Gasoline & Oil |
| Concord Naval Weapons Station | Concord | Federal Government-National Security |
| Contra-Costa Regional Med Ctr | Martinez | Government Offices-County |
| Diablo Valley College | Pleasant Hill | Schools-Universities & Colleges Academic |
| Doctor's Medical Ctr | San Pablo | Hospitals |
| John Muir Physical Rehab | Concord | Rehabilitation Services |
| John Muir Physician Referral | Walnut Creek | Hospitals |
| Kaiser Permanente Medical Ctr | Walnut Creek | Hospitals |
| Kaiser Permanente Medical Ctr | Martinez | Health Plans |
| Martinez Refining Co | Martinez | Petroleum Products-Manufacturers |
| Muirlab | Walnut Creek | Laboratories-Medical |
| Pmi Mortgage Insurance Co | Walnut Creek | Insurance-Mortgage |
| Richmond City Offices | Richmond | Government Offices-City, Village & Twp |
| San Ramon Regional Medical Ctr | San Ramon | Hospitals |
| Shell Oil Products Co | Martinez | Service Stations-Gasoline & Oil |
| St Mary's College-California | Moraga | Schools-Universities & Colleges Academic |
| Sutter Delta Medical Ctr | Antioch | Hospitals |
| Tesoro Refining & Marketing | Pacheco | Oil Refiners (Manufacturers) |
| Us Veterans Medical Ctr | Martinez | Hospitals |
| Uss-Posco Industries | Pittsburg | Steel Mills (Mfrs) |

*Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database.*

**Employment and Industry**

The unemployment rate in the Oakland-Fremont-Hayward MSA (which includes Contra Costa and Alameda Counties) was 7.1% in October 2008. This compares with an unadjusted unemployment rate of 7.1% for Alameda County, 7.0% for Contra Costa County, 8.0% for California and 6.5% for the nation during the same time period.

The following table summarizes the annual average civilian labor force, employment and unemployment in the County for the calendar years 2003 through 2007.

**OAKLAND-FREMONT-HAYWARD METROPOLITAN STATISTICAL AREA**
**(CONTRA COSTA AND ALAMEDA COUNTIES)**
**Civilian Labor Force, Employment and Unemployment**
**(Annual Averages)**

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| Civilian Labor Force (1) | 1,272,800 | 1,259,300 | 1,259,700 | 1,265,200 | 1,281,500 |
| Employment | 1,188,500 | 1,186,400 | 1,196,200 | 1,209,700 | 1,220,600 |
| Unemployment | 84,300 | 72,900 | 63,500 | 55,500 | 60,900 |
| Unemployment Rate | 6.6% | 5.8% | 5.0% | 4.4% | 4.8% |
| Wage and Salary Employment: (2) | | | | | |
| Agriculture | 2,600 | 1,500 | 1,600 | 1,500 | 1,500 |
| Natural Resources and Mining | 900 | 1,200 | 1,100 | 1,200 | 1,200 |
| Construction | 67,100 | 69,800 | 72,800 | 73,300 | 72,400 |
| Manufacturing | 98,000 | 98,200 | 95,600 | 95,800 | 93,700 |
| Wholesale Trade | 50,600 | 49,200 | 48,600 | 48,800 | 48,800 |
| Retail Trade | 110,500 | 110,500 | 112,100 | 113,300 | 113,100 |
| Transportation, Warehousing, Utilities | 36,000 | 34,200 | 34,300 | 35,000 | 36,100 |
| Information | 32,600 | 31,300 | 30,700 | 30,100 | 29,400 |
| Finance and Insurance | 49,400 | 49,500 | 50,800 | 49,400 | 45,400 |
| Real Estate and Rental and Leasing | 18,200 | 18,100 | 18,700 | 18,200 | 16,900 |
| Professional and Business Services | 144,900 | 147,700 | 150,600 | 154,900 | 155,500 |
| Educational and Health Services | 117,000 | 117,200 | 118,500 | 121,800 | 124,700 |
| Leisure and Hospitality | 80,400 | 80,600 | 83,000 | 85,600 | 87,500 |
| Other Services | 37,500 | 36,600 | 35,600 | 35,900 | 36,200 |
| Federal Government | 18,600 | 17,600 | 17,300 | 17,300 | 17,100 |
| State Government | 48,800 | 47,000 | 46,200 | 45,800 | 46,400 |
| Local Government | 115,000 | 115,100 | 116,500 | 118,900 | 123,400 |
| *Total, All Industries* (3) | 1,028,200 | 1,025,200 | 1,033,700 | 1,046,900 | 1,049,100 |

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
*Source: Labor Division of the California State Employment Development Department.*

## Effective Buying 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 County, the State and the United States for the period 2003 through 2007.

**Effective Buying Income**
**As of January 1, 2003 through 2007**

| Year | Area | Total Effective Buying Income (000's Omitted) | Median Household Effective Buying Income |
|---|---|---|---|
| 2003 | Contra Costa County | $25,962,828 | $54,862 |
| | California | 674,721,020 | 42,924 |
| | United States | 5,466,880,008 | 38,201 |
| 2004 | Contra Costa County | $27,273,658 | $56,165 |
| | California | 705,108,410 | 43,915 |
| | United States | 5,692,909,567 | 39,324 |
| 2005 | Contra Costa County | $27,450,775 | $56,979 |
| | California | 720,798,106 | 44,681 |
| | United States | 5,894,663,363 | 40,529 |
| 2006 | Contra Costa County | $28,611,520 | $58,497 |
| | California | 764,120,963 | 46,275 |
| | United States | 6,107,092,244 | 41,255 |
| 2007 | Contra Costa County | $30,138,295 | $61,123 |
| | California | 814,894,438 | 48,203 |
| | United States | 6,300,794,040 | 41,792 |

*Source*: *Sales & Marketing Management Survey of Buying Power for 2003 and 2004; Claritas Demographics for 2005 through 2007.*

## Construction Activity

Provided below are the building permits and valuations for the City of Martinez and Contra Costa County for calendar years 2003 through 2007.

## CITY OF MARTINEZ
## Total Building Permit Valuations
## (Valuations in Thousands of Dollars)

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| Permit Valuation | | | | | |
| New Single-family | $2,773.9 | $1,543.3 | $7,455.5 | $3,806.2 | $7,087.7 |
| New Multi-family | 300.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Res. Alterations/Additions | 5,338.1 | 7,633.4 | 7,209.3 | 7,769.5 | 5,203.9 |
| *Total Residential* | 8,412.0 | 9,176.7 | 14,664.8 | 11,575.6 | 12,291.6 |
| | | | | | |
| New Commercial | 555.0 | 400.0 | 6,074.4 | 3,500.0 | 0.0 |
| New Industrial | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New Other | 1,585.8 | 1,386.1 | 3,030.7 | 4,569.2 | 2,903.6 |
| Com. Alterations/Additions | 1,690.4 | 2,724.6 | 2,823.3 | 4,951.5 | 1,723.9 |
| *Total Nonresidential* | $3,831.2 | $4,510.7 | $11,928.4 | $13,020.7 | $4,627.4 |
| | | | | | |
| New Dwelling Units | | | | | |
| Single Family | 10 | 7 | 25 | 11 | 32 |
| Multiple Family | 4 | 0 | 0 | 0 | 0 |
| **TOTAL** | 14 | 7 | 25 | 11 | 32 |

*Source: Construction Industry Research Board, Building Permit Summary.*

## CONTRA COSTA COUNTY
## Total Building Permit Valuations
## (Valuation in Thousands of Dollars)

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| Permit Valuation | | | | | |
| New Single-family | $1,263,359.9 | $1,113,572.4 | $1,525,515.3 | $986,694.1 | $832,053.1 |
| New Multi-family | 190,449.4 | 123,332.9 | 106,511.5 | 157,971.5 | 94,504.9 |
| Res. Alterations/Additions | 230,427.8 | 233,108.3 | 293,394.4 | 307,152.6 | 290,107.5 |
| *Total Residential* | 1,684,237.2 | 1,470,013.6 | 1,925,421.2 | 1,451,818.2 | 1,216,665.5 |
| | | | | | |
| New Commercial | 128,738.0 | 102,549.3 | 87,900.5 | 101,785.9 | 148,838.2 |
| New Industrial | 33,047.1 | 17,421.4 | 21,155.9 | 14,529.4 | 17,504.1 |
| New Other | 53,034.2 | 68,104.1 | 122,625.7 | 122,628.4 | 95,442.0 |
| Com. Alterations/Additions | 197,298.8 | 187,108.9 | 161,187.6 | 173,556.4 | 229,530.2 |
| *Total Nonresidential* | $412,118.0 | $375,183.8 | $392,869.7 | $412,500.1 | $491,314.5 |
| | | | | | |
| New Dwelling Units | | | | | |
| Single Family | 4,965 | 4,222 | 5,452 | 3,310 | 2,698 |
| Multiple Family | 1,930 | 1,261 | 860 | 1,178 | 909 |
| **TOTAL** | 6,895 | 5,483 | 6,312 | 4,488 | 3,607 |

*Source: Construction Industry Research Board, Building Permit Summary.*

## APPENDIX B

## CITY FINANCIAL INFORMATION

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

### Accounting Practices

The accounting practices of the City conform to GAAP. City accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not accounted for in any other fund. The City's fiscal year begins on July 1 and ends on June 30.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance for all major governmental funds and non-major funds aggregated. Financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. See "APPENDIX C - AUDITED FINANCIAL STATEMENTS OF THE CITY - Note 1 - Summary of Significant Accounting Policies" for further description of the City's accounting methods.

### Financial Statements

The City's general fund finances the legally authorized activities of the City for which restricted funds are not provided. General fund revenues are derived from such sources as taxes, fees, use of money and property, and aid from other governmental agencies. Audited financial statements for the City for the fiscal year ended June 30, 2008, and prior fiscal years are available for download on the City's website located at http://www.cityofmartinez.org/. *The citation to internet websites in this Official Statement are for reference and convenience only, the information contained within the websites is not incorporated herein by reference.*

The following table shows the statement of revenues, expenditures and changes in fund balances for the City for the 2005-06 through 2007-08 fiscal years. The audited financial statements for the year ended June 30, 2008 are attached as APPENDIX C to this Official Statement.

**CITY OF MARTINEZ**
**Statement of Revenues, Expenditures and Changes in Fund Balances**
**As of June 30 For Fiscal Years 2005-06 through 2007-08**

| | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes | $14,994,265 | $16,049,485 | $16,244,064 |
| Licenses, permits and fees | 609,979 | 818,761 | 600,153 |
| Intergovernmental | 851,560 | 1,134,651 | 719,327 |
| Charges for services | 1,009,212 | 769,834 | 714,089 |
| Fines and forfeits | 276,466 | 287,997 | 352,119 |
| Use of money and property | 491,293 | 824,582 | 768,876 |
| Miscellaneous | 1,722,642 | 1,250,554 | 267,869 |
| *Total Revenues* | 19,955,417 | 21,135,864 | 19,666,497 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | 1,253,927 | 1,249,523 | 1,055,630 |
| Nondepartmental services | 722,957 | 2,100,557 | 1,294,070 |
| Administrative services | 691,218 | 791,144 | 710,163 |
| Public works | 826,781 | -- | 3,515,167 |
| Building | -- | 904,338 | -- |
| Community & economic development | 4,594,548 | 4,619,296 | 2,685,236 |
| Police | 8,324,721 | 8,835,590 | 9,669,079 |
| Capital outlay | 214,846 | 26,804 | 62,061 |
| *Total Expenditures* | 16,628,998 | 18,527,252 | 18,991,406 |
| Excess (Deficiency) of Revenue over Expenditures | 3,326,419 | 2,608,612 | 675,091 |
| Other Financing Sources (Uses) | | | |
| Transfers in | 135,450 | 131,267 | 79,870 |
| Transfers out | (362,135) | (267,635) | (1,414,709) |
| *Total Other Financing Sources (Uses)* | (226,685) | (163,368) | (1,334,839) |
| Special Item: | | | |
| OPEB Funding | -- | -- | (4,000,000) |
| Net Change in Fund Balances | 3,099,734 | 2,472,244 | (4,659,748) |
| Beginning Fund Balances | 9,747,335 | 12,847,069 | 15,319,313 |
| Ending Fund Balances | $12,847,069 | $15,319,313 | $10,659,565 |

*Source: City of Martinez, Comprehensive Annual Financial Reports for fiscal years 2005-06, 2006-07 and 2007-08.*

## Budget Process

The proposed budget includes estimated revenues and expenditures for operating and capital improvement projects for two full fiscal years on a basis consistent with GAAP. The data is presented to the City Manager for review and a public meeting is conducted to obtain public comments. The City Council adopts the budget by June 30th through passage of an adopting resolution.

The ongoing budget process includes the phases of development, proposal, adoption, and monitoring. The process begins with the preparation and distribution of budget instructions and guidelines by the City's Administrative Services Department in October of every other year. Departments are instructed to submit their budget requests to the City Manager by the following mid-January, and the City Manager meets with department heads in February to develop recommendations to present to the Budget Subcommittee. The City Council holds a public workshop to provide staff direction to finalize the proposed budget, thereafter, the City Council is presented with the proposed budget for its adoption.

The monitoring phase begins after the budget has been adopted. Department heads are instructed to maintain control over their respective funds and ensure adequate resources are available. A mid-year budget review is conducted in February of each year. The City conducts an annual budget review in June of the first year, and at that time makes any changes to update the second budget year. Any necessary adjustments to the budget will be enacted by City Council resolution.

The two-year budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within their respective departments. The City Manager is authorized to revise the budget so long as the total revisions in any single budget year do not exceed 5% of the budget, and provided that sufficient revenues are available to offset such revisions. City Council approval is required for additional appropriation from fund balances or new revenue sources. The legal level of budgetary control is at the department level.

## General Fund Budget

The City's comparative budget for fiscal year 2007-08 and biennial general fund budget for fiscal year 2008-09 is set forth in the following table.

**CITY OF MARTINEZ**
**Comparative Budgets**
**For Fiscal Years 2007-08 and 2008-09**

| | Final Budget 2007-08 | Audited Actual 2007-08 | Variance with Final 2007-08 Budget | Amended Budget 2008-09 (1) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes | $16,375,943 | $16,244,064 | ($131,879) | $16,220,390 |
| Licenses, permits, and fees | 524,000 | 600,153 | 76,153 | 550,182 |
| Intergovernmental | 1,001,276 | 719,327 | (281,949) | 688,896 |
| Charges for services | 731,500 | 714,089 | (17,411) | 802,344 |
| Fines and forfeits | 303,000 | 352,119 | 49,119 | 345,300 |
| Use of money and property | 526,000 | 768,876 | 242,876 | 395,000 |
| Miscellaneous | 163,264 | 267,869 | 104,605 | 591,670 |
| *Total Revenues* | 19,624,983 | 19,666,497 | 41,514 | 19,593,782 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | 1,104,182 | 1,055,630 | 48,552 | 1,125,056 |
| Nondepartmental services | 1,317,145 | 1,294,070 | 23,075 | 1,216,499 |
| Administrative services | 743,188 | 710,163 | 33,025 | 808,869 |
| Public works | 3,640,933 | 3,515,167 | 125,766 | 3,844,115 |
| Community & economic development | 2,937,503 | 2,685,236 | 252,267 | 2,803,710 |
| Police | 9,775,659 | 9,669,079 | 106,580 | 10,066,386 |
| Capital outlay | 62,061 | 62,061 | -- | -- |
| *Total Expenditures* | 19,580,671 | 18,991,406 | 589,265 | 19,864,635 |
| Excess of Revenues Over Expenditures | 44,312 | 675,091 | 630,779 | (270,853) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 79,870 | 79,870 | -- | 186,837 |
| Transfers (out) | (1,414,709) | (1,414,709) | -- | (1,004,195) |
| Total other financing sources (uses) | (1,334,839) | (1,334,839) | -- | (817,358) |
| Special Item: | | | | |
| OPEB Funding | (4,000,000) | (4,000,000) | -- | -- |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | (5,290,527) | (4,659,748) | 630,779 | (1,088,211) |
| Beginning Fund Balances | 15,319,313 | 15,319,313 | 1,191,329 | 10,659,565 |
| Ending Fund Balances | $8,837,457 | $10,659,565 | $1,822,108 | $9,571,354 |

(1) Reflects amendments made by the City on February 18, 2009 to the 2nd year of the two year budget.
*Source: City of Martinez, Comprehensive Annual Financial Report for fiscal year 2007-08 and City of Martinez 2007-08 and 2008-09 Biennial Budget.*

**State Budgets**

The State of California is currently facing enormous budget shortfalls, and is likely to continue to face significant budget issues for the foreseeable future. In connection with its approval of former budgets, the State Legislature enacted legislation that has a direct impact on the financial situation of cities and counties in the State.

***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. 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 official statements for State bonds are posted.

*The references to internet websites shown below are shown for reference and convenience only; the information contained within the websites has not been reviewed by the City and is not incorporated herein by reference.*

The California State Treasurer's Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Products."

***2008-09 State Budget.*** On September 23, 2008, the Governor signed the 2008-09 State Budget into law (the "2008-09 Budget"). The 2008-09 Budget attempted to resolve the $24.3 billion budget deficit identified in the May (2008) Revision to the Governor's Proposed Budget. The 2008-09 Budget, as adopted, projected revenues of $103.027 billion in 2007-08 and $101.991 billion in 2008-09 (representing an increase of $1.837 billion in 2007-08 and a decrease of $996 million in 2008-09, compared with the May Revision), provided a modest reserve of $1.7 billion, but projected a deficit of $1.0 billion in 2009-10.

***Special Session – Revisions to 2008-09 Budget; 2009-10 Adopted State Budget.*** Below is a summary of legislative actions from November 5, 2008 through February 20, 2009, on which date the Governor signed a budget package addressing the 2008-09 Budget deficit, and adopting the 2009-10 Budget.

***November 5, 2008.*** The Governor called the State Legislature into special session to deal with a budget deficit of $11 billion which had arisen since the 2008-09 budget was adopted, principally because of a shortfall in revenues. This special session extended through February 19, 2009.

***January 9, 2009.*** The Governor submitted his proposed 2009-10 Budget (the "2009-10 Proposed Budget") to the State Legislature. The 2009-10 Proposed Budget assumed that, without corrective action, the State will face a deficit of $39.6 billion at the end of 2009-10. Consequently, the 2009-10 Proposed Budget proposed $41.7 billion in budgetary solutions to close the gap and establish a $2.2 billion reserve, resulting from spending reductions, revenue increases, accounting changes and debt issuances. Included in the proposals were (i) issuance of $4.7 billion in revenue anticipation warrants, (ii) lowering the value of the dependent credit for income tax returns, (iii) capturing savings in K-14 education through spending reductions, accounting changes and cost deferrals, (iv) raising $5 billion in proceeds with the securitization of lottery revenues, (v) redirecting $500 million in revenues from Proposition 10 cigarette tax and Proposition 63 income tax surcharge, (vi) a temporary increase in the State sales tax rate of 1.5 cents per dollar, and (vii) an extension of the State sales and use tax to include additional services, as well as an increase of 5 cents on the alcohol excise tax. Many of these proposals will require voter approval to be implemented.

***January 8, 2009.*** The LAO released its report on the 2009-10 Proposed Budget. The LAO states that the 2009-10 Proposed Budget is generally reasonable but will likely be subject to risks associated with continued deterioration of the economy and additional costs that the State is likely to incur but are not included in the 2009-10 Proposed Budget. In addition, the 2009-10 Proposed Budget relies heavily on State borrowing that is subject to voter approval, the favorable resolution of legal issues, and the State's access to credit markets.

***January 14, 2009.*** The LAO released its report entitled "California's Cash Flow Crisis" stating that the State's cash flow has deteriorated steadily since the end of calendar year 2007 due to, among other things, sharply weakened General Fund revenues and limited access to credit markets. In addition, the report predicts that the State will have $3.2 billion in available cash by the end of January 2009, but warns that this amount will not be sufficient for normal cash flow operations with budgeted appropriations through the end of fiscal year 2008-09.

***February 19, 2009.*** The California Legislature voted to approve a budget package (the "Budget Package") addressing the State's $42 billion deficit, which includes $15 billion in State spending reductions, $12.8 billion in temporary tax increases (including an increase in the vehicle license fee and an increase in State sales and income taxes), $11.4 billion in borrowing and a $1 billion reserve. The Budget Package includes revisions to the 2008-09 Budget (the "current year") and adoption of the 2009-10 Budget, covering a 17-month period ending July 1, 2010 (the "budget year"), addressing spending reductions, revenue increases, economic stimulus and increasing governmental efficiency. Certain measures will require voter approval at a special State-wide election to be held on May 19, 2009. Key provisions of the Budget Package are:

- Education Spending Reductions: Significant Proposition 98-related reductions, consisting of approximately $7.4 billion in reductions in Proposition 98 funding in 2008-09 compared to the adopted 2008-09 Budget Act, through $2.4 billion in program reductions and savings and $5 billion in Proposition 98 funding deferrals and fund swaps. The 2009-10 Budget provides for $400 million in fund swaps and a total Proposition 98 funding of $55.3 billion, which is $400 million less than the total amount proposed in 2008-09.

- Sales Tax Increase: A 1-cent increase in the State sales tax, generating approximately $5.9 billion (2 years).

- Vehicle License Fee Increase: Increasing the fee from 0.65 percent to 1.15 percent (2 years).

- State Personal Income Tax Increase: Imposing a 0.25 percent surcharge on personal income tax and reducing the dependent tax credit (2 years).

***February 13, 2009.*** The U.S. House of Representatives and the Senate approved the American Recovery and Reinvestment Act, which commits a total of $787 billion nationwide. A report issued by the LAO entitled "Federal Economic Stimulus Package: Fiscal Effect on California" estimates that the State will receive over $31 billion in aid and billions more in competitive grants. The LAO estimates that about $8 billion of these funds will be available in 2008-09 and 2009-10 to relieve the State's budgetary problems. Of this amount, the State's health programs will receive the largest share (about $9 billion) and education-related programs will receive nearly $8 billion. Labor and workforce development and social services programs will receive about $6 billion and $3.5 billion, respectively. By April 1, 2009 the State Director of Finance and State Treasurer will re-calculate the $8 billion estimate. If the amount is less than $10 billion, then annual State program reductions of nearly $1 billion and revenue increases of about $1.8 billion adopted as part of the 2009-10 Budget will go into effect.

***February 20, 2009.*** The Governor signed the Budget Package. The Governor used his line item veto authority in an attempt to achieve $1 billion more in State General Fund savings in the 2009-10 Budget. This includes at least a 10 percent reduction in expenditures for certain State offices through furlough days, elimination of positions, overtime reform and reducing paid State holidays, replacing State General Fund appropriations with respect to higher education with federal funds, and finding savings through reforms and cost-saving measures with the California Department of Corrections and Rehabilitation. The LAO's analysis of the 2009-10 Budget package has not been published.

***May 19, 2009 Election.*** According to the LAO, the 2009-10 Budget depends on access to approximately $6 billion related to three propositions on the May 19, 2009 special election ballot: $5 billion from borrowing against future lottery profits (Proposition 1C), up to $608 million from redirecting dedicated childhood development funds to help the General Fund (Proposition 1D), and approximately $230 million from redirecting dedicated mental health funds to help the General Fund (Proposition 1E). If the voters reject these three measures, the 2009-10 Budget would not be in balance under current revenue forecasts. Consequently, the Legislature and the Governor probably would need to agree to billions of dollars of additional spending cuts, tax increases or other budgetary solutions to bring the budget back into balance.

***Local Government.*** Additional detail on the impact to local governments by the 2009-10 Budget follows:

Local Mandate Payment – approves the Governor's proposal to defer annual payment to local governments for mandate costs incurred prior to 2004-05, resulting in general fund savings of $91 million (this is similar to the deferral adopted with the 2008 Budget).

Senior Citizens' Property Tax Deferral Program – approves the Governor's proposal to suspend this program, which paid property taxes for eligible seniors, resulting in general fund savings of $6.5 million in the current year and $32 million in the budget year.

Local Public Safety Programs – Modifies the Governor's proposal to eliminate general fund support to local law enforcement programs, resulting in savings of approximately $189 million in the current year and $503 million in the budget year. These cuts are mitigated by an increase of 0.15% in the Vehicle License Fee. Additional revenues from the increased in VLF are projected at $111 million in the current year and $508 million in the budget year.

**Insurance and Self-Insurance Programs**

The City participates in a joint powers agreement through the Municipal Pooling Authority of Northern California, ("**MPA**") which is a worker's compensation and general liability risk pool. The MPA was established in 1978 to provide and administer lines of coverage for liability, workers' compensation and property for 13 member cities in the County. Membership has grown from the original 13 member entities to the current count of 20 in 2006, and includes cities outside of the County, but within MPA's serviceable area.

The MPA's liability program provides coverage for bodily injury, property damage, personal injury, errors and omissions, and employment practices. Claims are administered in-house. The pooled coverage limit, per occurrence, is $1 million with excess coverage through a combination of pooling and reinsurance of up to $25 million. The City has a deductible of up to $5,000 per claim.

The MPA's workers' compensation program provides coverage for workers' compensation and employers liability claims. Claims are administered in-house and the pooled coverage limit is $500,000 with excess coverage available through a combination of pooling and reinsurance.

**Labor Relations**

The City has three recognized bargaining units which represent its employees. The Martinez Police Officers' Association represents sworn police officers. Its contract with the City expires on December 31, 2008, and is in effect until a new contract agreement is reached. The Martinez Police Non-Sworn Employee's Association represents other police staff of the City. Its contract with the City expires on June 30, 2011. The Laborers' 324 represents various miscellaneous classifications of City staff. Its contract with the City expires on December 31, 2010. The City's management and confidential employees are unrepresented and covered under the Management Compensation Plan, which expires on December 31, 2010.

**Retirement System**

***Plan Description.*** The City contributes to the California Public Employees' Retirement System ("**CALPERS**"), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police), Miscellaneous (all other), and Miscellaneous Joint Facilities Agency Employee Plans. Benefit provisions under the Plans are established by State statute and City ordinance. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The City's labor contracts require it to pay employee contributions as well as its own.

***Pension Plan Benefits.*** CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the years ended June 30, 2008, 2007 and 2006 amounted to $1,808,824, $1,608,807, and $1,588,530 respectively.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

As required by State law, effective July 1, 2005, the City's Safety, Miscellaneous and Miscellaneous Joint Facilities Agency Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the City true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by

CALPERS. In March 2007, the City paid off the unfunded liability of the Miscellaneous Plan. For the Safety and Miscellaneous Joint Facilities Agency Plan, the City will satisfy its Plans' unfunded liability by contributing to the Side Fund through an addition to its normal contribution rates over the next 14 years for Safety, and 9 years for the Miscellaneous Joint Facilities Agency Plans.

**Other Post-Employment Benefits**

***Plan Description.*** The City provides health care benefits for retired employees and spouses through the City's health care premium reimbursement plan (the "**Reimbursement Plan**"). Substantially all of the City's employees may become eligible for the Reimbursement Plan if they reach the normal retirement age and have a minimum ten years of service while working for the City. Currently, 37 retirees meet the eligibility requirements and receive Reimbursement Plan benefits. The Reimbursement Plan benefits are accrued by employees as follows:

| Years of Service with the City | % of Health Insurance To be Paid by City |
|---|---|
| 0-10 | 0% |
| 11-15 | 25 |
| 16-20 | 50 |
| 21-25 | 75 |
| Over 25 | 100 |

Additionally, the City provides the option of postretirement health benefits to sworn Police Personnel through the Public Employees' Retirement System ("**PERS**") in lieu of the Reimbursement Plan. The City covers 100% of the cost for beneficiaries who retired prior to January 1, 2005. Those employees who retire after January 1, 2005 pay a percentage of the cost increase. Currently, 36 retirees meet the eligibility requirements and are either receiving Reimbursement Plan benefits or health benefits paid directly by the City to PERS.

For the year ending June 30, 2008, the City paid a total of $614,494 for the cost of retiree health care benefits.

***Funding Policy.*** During fiscal year 2008, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" ("**Statement No. 45**"). Statement No. 45 establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions ("**OPEB**"). The provisions of Statement No. 45 are applied prospectively and do not affect prior years' financial statements.

The City determined its annual required contribution ("**ARC**") as part of a March 10, 2008 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. In accordance with the City's budget, the ARC is to be funded through out the year as a percentage of payroll. Concurrent with implementing Statement No. 45, the City Council passed a resolution to participate in the California Employers Retirees Benefit Trust ("**CERBT**"), an irrevocable trust established to fund OPEB. CERBT is administrated by CALPERS, and is managed by an appointed board not under the control of City Council.

***Funding Progress and Funded Status.*** Generally accepted accounting principles ("**GAAP**") permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2008, the City contributed the ARC amounting to $1,102,000 to CERBT which represented 11.5% of the $9,579,000 of covered payroll. The City also contributed $4,000,000 of additional funds to CERBT representing funds that had accumulated in prior years in the City's general fund.

**Outstanding Debt**

On March 11, 2003, the City issued Certificates of Participation in the amount of $7,795,000 (the "**COPs**") to refund and retire the City's outstanding "1992 City Hall Refurbishment Certificates of Participation" and the City water enterprise's "1993 Water System Improvements Certificates of Participation." Interest and principal payments on the COPs are partially payable from lease revenues on the City's city hall building and partially payable from net revenues derived from the operation of the City's water system. As of January 1, 2009, the outstanding principal portion of the COPs that is payable from the City's General Fund (the refunded portion of the 1992 City Hall Refurbishment Certificates of Participation) was $1,055,744. The final maturity of the COPs is December 1, 2013.

Other than the COPs, the City has no other general obligation debt outstanding.

## SALES TAX

The City receives a portion of the sales and use tax levied by the State on retail sales occurring in the City. In 2007-08, revenues from the sales tax are estimated to amount to $2,910,391, representing about 16.0% of total general fund revenues and 10.2% of total City revenues.

A sales tax is imposed on retail sales or consumption of personal property. The tax rate is established by the State Legislature. Effective January 1, 2002, the aggregate tax rate in the State is 7.25%. Additionally, the State has many special taxing jurisdictions (districts), which are funded by a sales and use tax rate that in addition to the standard statewide rate. The County has two such districts which each add an additional 0.50% on taxable transactions within the City. The State collects and administers the tax, and makes distributions on taxes collected within the City as follows:

**CITY OF MARTINEZ**
**Sales Tax Rates**

| | |
|---|---|
| State (General Fund) (1) | 6.00% |
| State (Local Revenue Fund) | 0.50 |
| State (Local Public Safety Fund) | 0.50 |
| State (Fiscal Recovery Fund) | 0.25 |
| City and County Operations | 0.75 |
| County Transportation Funds | 0.25 |
| Contra Costa Transportation Authority | 0.50 |
| Bay Area Rapid Transit District | 0.50 |
| Total | 8.25% |

(1) Effective April 1, 2009, the sales tax rate will temporarily increase to 9.25%. See "State Budgets" above.
*Source: California State Board of Equaliztion.*

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.

**Commercial Activity**

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City is presented in the following table. Annual figures are not yet available for 2008.

**CITY OF MARTINEZ**
**Taxable Transactions**
**(Dollars in Thousands)**

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| Retail Stores | | | | | |
| Apparel Stores | $2,671 | $2,873 | $2,889 | $2,852 | $2,948 |
| General Merchandise Stores | # | # | # | # | # |
| Food Stores | 29,902 | 32,153 | 33,295 | 32,850 | 34,052 |
| Eating and Drinking Places | 27,853 | 29,190 | 29,203 | 30,572 | 31,152 |
| Home Furnishings and Appliances | 1,813 | 2,223 | 2,756 | 3,075 | 2,432 |
| Bldg. Materials and Farm Implmnts. | 47,050 | 52,709 | 52,110 | 38,913 | 52,951 |
| Auto Dealers and Auto Supplies | 4,484 | 3,851 | 3,124 | 5,790 | 7,459 |
| Service Stations | 20,654 | 20,991 | 31,102 | 36,083 | 40,960 |
| Other Retail Stores | 79,543 # | 84,904 # | 87,109 # | 88,799 # | 82,827 # |
| Retail Store Totals | 213,970 | 228,894 | 241,588 | 238,934 | 254,781 |
| All Other Outlets | 104,551 | 133,979 | 153,926 | 136,165 | 139,252 |
| TOTAL ALL OUTLETS | $318,521 | $362,873 | $395,514 | $375,099 | $394,033 |

\# Sales omitted because their publication would result in the disclosure of confidential information.
*Source: State Board of Equalization.*

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table. Annual figures are not yet available for 2008.

## CONTRA COSTA COUNTY
## Taxable Retail Sales
## Number of Permits and Valuation of Taxable Transactions
## (Dollars in Thousands)

| | Retail Stores | | Total All Outlets | |
|---|---|---|---|---|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2003 | 11,575 | $9,025,114 | 23,253 | $12,223,295 |
| 2004 | 11,717 | 9,697,365 | 23,571 | 12,990,538 |
| 2005 | 11,776 | 10,072,084 | 23,692 | 13,480,075 |
| 2006 | 11,467 | 10,275,907 | 23,249 | 13,867,661 |
| 2007 | 11,131 | 10,109,704 | 23,181 | 14,086,295 |

*Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

## APPENDIX C

## FISCAL YEAR 2007-08 COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE CITY

**APPENDIX D**
**PROPOSED FORM OF OPINION OF BOND COUNSEL**

May __, 2009

City Council
City of Martinez
525 Henrietta Street
Martinez, California 94553

***OPINION:*** $__________ City of Martinez General Obligation Bonds, Election of 2008, Series A

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Martinez (the "City") of its general obligation bonds captioned above, dated May __, 2009 (the "Bonds"). The Bonds have been issued by the City pursuant to the Constitution and laws of the State of California, a resolution adopted by the City Council of the City on April 1, 2009 (the "Resolution") and a Paying Agent Agreement dated as of May 1, 2009 (the "Paying Agent Agreement") between the City and U.S. Bank National Association, as paying agent. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The City is duly organized and validly existing as a general law city and municipal corporation under the Constitution and laws of the State of California, with the power to adopt the Resolution, to execute and deliver the Paying Agent Agreement and to perform the agreements on its part contained therein, and to issue the Bonds.

2. The Paying Agent Agreement constitutes a valid and binding obligation of the City, enforceable against the City in accordance with its terms.

3. The Bonds have been duly authorized, executed and delivered by the City, and are valid and binding general obligations of the City.

4. The City has the power, is obligated, and in the Paying Agent Agreement has covenanted, to levy ad valorem taxes upon all property within the City which is subject to taxation by the City, without limitation of rate or amount (except with respect to certain personal property which is taxed at limited rates), for the payment of the Bonds and the interest thereon.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Tax Code"), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to interest payable with respect to the Bonds. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal 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 interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

## APPENDIX E

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

**$15,000,000***
**CITY OF MARTINEZ**
**General Obligation Bonds**
**Election of 2008, Series A**

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Martinez (the "City") in connection with the execution and delivery of the bonds captioned above (the "Bonds"). The Bonds are being executed and delivered pursuant to a Paying Agent Agreement dated as of May 1, 2009 (the "Agreement") by and between the City and U.S. Bank National Association, as paying agent (the "Paying Agent").

The City hereby covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Certificate**. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

**Section 2. Definitions**. In addition to the definitions set forth above and in the 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 nine 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 U.S. Bank National Association or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Paying Agent a written acceptance of such designation.

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

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

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

---
* Preliminary, subject to change.

"*Participating Underwriter*" means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

**Section 3. Provision of Annual Reports**.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2010 with the report for the 2008-09 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Paying Agent and the Participating Underwriters. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

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

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

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City, with a copy to the Paying Agent and the Participating Underwriter, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

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

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

(i) Assessed value of taxable property within the jurisdiction of the City;

(ii) Summary of property tax rates for all taxing entities within the City expressed as a percentage of assessed valuation;

(iii) Top ten property tax assessees for current fiscal year, taxable value and percentage of total assessed value in substantially the form of the Official Statement;

(iv) Property tax collection delinquencies for the City if the City is no longer a participant in Contra Costa County's Teeter Plan in substantially the form of in the Official Statement;

(v) Amount of all general obligation debt of the City outstanding, and total scheduled debt service on such general obligation debt;

(vi) Any change to Contra Costa County's investment pool which would affect the City's receipt of property tax revenues used to pay debt service on the Bonds; and

(vii) Any changes in the operation of Contra Costa County's Teeter Plan affecting the City's receipt of property tax revenues used to pay debt service on the Bonds.

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

**Section 5. Reporting of Significant Events.**

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

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

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

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions or events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders.

(8) Contingent or unscheduled bond calls.

(9) Defeasances.

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

(11) Rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent (if not the City) to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the Paying Agent and the Participating Underwriter. 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 Agreement.

**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 U.S. Bank National Association. Any Dissemination Agent may resign by providing 30 days' written notice to the City and the Paying Agent.

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

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

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Agreement for amendments to the 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 financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

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

**Section 10. Additional Information**. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 11. Default**. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the 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.** **Notices**. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

| | |
|---|---|
| To the Issuer: | City of Martinez<br>525 Henrietta Street<br>Martinez, California 94553<br>(925) 372-3500 |
| To the Dissemination Agent: | U.S. Bank National Association<br>One California Street, Suite 2100<br>San Francisco, California 94111<br>Fax No.: (415) 273-4591<br>Attention: Myrna Presto-Choroski |
| To the Participating Underwriter: | **[To Come]** |
| To the Paying Agent: | U.S. Bank National Association<br>One California Street, Suite 2100<br>San Francisco, California 94111<br>Fax No.: (415) 273-4591<br>Attention: Myrna Presto-Choroski |

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

**Section 14.** **Beneficiaries**. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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

Date: March __, 2009

CITY OF MARTINEZ

By: ________________________________

Name: ____________________________________

Title: _____________________________________

AGREED AND ACCEPTED:
U.S. Bank National Association,
as Dissemination Agent

By: ________________________________

Name: ______________________________

Title: _______________________________

## EXHIBIT A

## NOTICE OF FAILURE TO FILE ANNUAL REPORT

| | |
|---|---|
| Name of Issuer: | City of Martinez (the "City") |
| Name of Bond Issue: | City of Martinez General Obligation Bonds, Election of 2008, Series A |
| Date of Issuance: | May __, 2009 |

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Agreement, dated as of May 1, 2009, by and between the City and ____________________, as paying agent. The City anticipates that the Annual Report will be filed by _____________.

Dated: ____________

DISSEMINATION AGENT:

By: ___________________________
Its: ____________________________

cc: Paying Agent and Participating Underwriter

## APPENDIX F

## DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

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

1. The Depository Trust Company, New York, NY, will act as securities depository for the securities (the "**Bonds**"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, 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 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying 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 nor its nominee, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

10. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond 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 the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.