Report to City Council

TO: Mayor and City Council
Mayor and City Council Acting in its Capacity as Chairman and Members of the Board of Directors of the Moreno Valley Public Financing Authority (MVPFA)

FROM: Marshall Eyerman, Chief Financial Officer

AGENDA DATE: November 1, 2016

TITLE: 2016 REFUNDING OF THE 2007 LEASE REVENUE BONDS

RECOMMENDED ACTION

Recommendations: That the City Council and Moreno Valley Public Financing Authority:

1. Adopt Resolution No. 2016-72, A Resolution of the City Council of the City of Moreno Valley, California, approving the issuance by the Moreno Valley Public Financing Authority of not to exceed $26,500,000 aggregate principal amount of Lease Revenue Refunding Bonds, Series 2016 (Taxable) to refund certain outstanding bonds; authorizing execution and delivery of a First Amendment to Master Facilities Lease, a First Amendment Master Facilities Sublease and a Bond Purchase Agreement; Approving the form of Official Statement; and authorizing execution of documents and the taking of all necessary actions relating to the refinancing with the Moreno Valley Public Financing Authority.

2. Adopt Resolution No. MVPFA 2016-01, a Resolution of the Moreno Valley Public Financing Authority (MVPFA) authorizing the issuance and sale of Lease Revenue Refunding Bonds to refund certain outstanding bonds; Approving the forms of a First Supplement to Master Trust Agreement, a First Amendment to Master Facilities Lease, a First Amendment to Master Facilities Sublease and a Bond Purchase Agreement; Approving an Official Statement describing said bonds; and authorizing execution of documents and the taking of all necessary actions relating to the issuance of the bonds.

SUMMARY

As part of the City’s ongoing effort to implement budgetary savings and reduce costs, staff has identified and discussed the opportunity to take advantage of favorable levels in interest rates to refinance the outstanding 2007 Bonds. This refinancing could save the Moreno Valley Utility more than $2 million in net present value savings based on current market rates. The bonds will be secured by existing Moreno Valley assets and structured under a “master lease” bond structure.

The 2016 refunding was presented as a discussion item at the August 24 Finance Sub Committee and at the October 21 Utility Commission meeting.

DISCUSSION

Taxable interest rates continue to be at historically low levels. The Federal Reserve has supported a sustained low interest rate environment by continuing to use economic policies to keep interest rates low through 2016. However, recent economic trends and signals from the Federal Reserve point to an impending increase in rates in the near future which has put upward pressure on today’s low interest rates. Based on the existing favorable interest rate environment and potential for future volatility in the municipal market, it is prudent to place the City in position to refinance the 2007 bonds for meaningful savings.

In order to take advantage of market conditions, the Authority will issue approximately $24,500,000 of refunding bonds (“2016 Refunding Bonds”) to refinance the 2007 Bonds. The 2016 Refunding Bonds will be issued with the same final year of repayment (2038) as the 2007 Bonds (no extension of maturity). No new additional debt will be issued as part of this refinancing. The refinancing is estimated to generate more than $2 million of cash flow savings over the remaining life of the bonds.

Because interest rates will fluctuate up until the proposed day the bonds are sold, City staff recommends a not-to-exceed amount for the 2016 Refunding Bonds of $26,500,000 and a not-to-exceed interest rate of 5.50% to accommodate any changes in investor structuring preferences, availability of a reserve fund surety and/or bond market conditions.

The 2016 Refunding Bonds will be structured as a lease-leaseback financing between the City and the Authority. The Authority is a City-controlled joint powers authority consisting of the City and the Community Redevelopment Agency of the City of Moreno Valley and was originally formed in October 1997 to facilitate bond financings. The Authority has used the same financing structure for its prior lease revenue bond financings.

The 2016 Refunding Bonds will use a “master lease” bond structure to secure repayment of the bonds. The primary benefit of the master lease structure is that it enables the City to pledge fewer assets over time to effectuate future lease financings. The City will have the flexibility to substitute, remove, or add other assets over time. To effectuate the issuance of the 2016 Refunding Bonds, the bonds are secured primarily by two assets in the master lease: the Kitching Substation and the Moreno Beach Substation.

It is anticipated that the 2016 Bonds will be structured with insurance and a debt service reserve fund surety policy.

Orrick, Herrington & Sutcliffe LLP will serve as Bond Counsel. Stifel will serve as underwriter for the bonds, which will be sold on a negotiated basis. Norton Rose Fulbright will serve as Underwriter’s Counsel. Wells Fargo Bank, National Association, will serve as the trustee and escrow agent. Fieldman Rolapp will serve as financial advisor for the transaction to oversee the bond pricing process.

The recommended action addresses the Infrastructure priority of the Momentum MoVal Strategic Plan.

ALTERNATIVES

1. Adopt Resolutions 2016- and MVPFA 2016- and authorize the refunding of the 2007 Lease Revenue Bonds. This alternative is recommended since this action will result in reduced interest costs and will save the city approximately $ 2.7 million over the remaining life of the bonds.

2. Do no adopt the resolutions to authorize the refunding of the 2007 Lease Revenue Bonds and provide staff with additional direction. *This alternative is not recommended as it will result in the loss of the opportunity to refund existing bonds at lower interest rates.*

FISCAL IMPACT

Based on current rates, the City will issue approximately $24,500,000 of 2016 Refunding Bonds. The bond authorizing resolution has a not-to-exceed issuance amount of $26,500,000 to allow for the refunding of all of the 2007 Bonds outstanding and to pay costs of issuance. This figure also provides additional cushion to accommodate structuring flexibility and other factors (i.e. availability of a reserve fund surety) to achieve the lowest interest rates.

The 2016 Refunding Bonds will be structured to generate level savings. There will be no change to the final maturity of bonds which will be consistent with the final maturity of the 2007 Bonds to be refunded. No new additional debt will be issued as part of this refinancing. This final maturity is currently contemplated to be in 2038.

Based on current market rates, the refunding is estimated to generate more than $2.7 million of cash flow savings over the remaining life of the bonds. In today’s dollars, this translates into over $2 million of present value savings (equal to 9% of the refunded bond amount). Typically, municipal issuers set a minimum present value savings goal equal to 3% of the refunded bond amount to determine if a refinancing is worthwhile to pursue. As stipulated in the bond authorizing resolution, the 2016 Refunding Bonds must be sold at interest rates that produce at least 3% present value savings to the General Fund net of all financing costs.

The total “all-in” cost of issuing the new refunding bonds is about $435,000 (equal to 1.8% of the estimated bond size), which has already been factored into the payment (and savings) figures stated above. The majority of these fees will remain constant, however the bond underwriting fee (not-to-exceed 1.0% of the bond size) and some other legal/rating fees will fluctuate lower or higher depending on the final size of 2016 Refunding Bonds.

NOTIFICATION

Public Notice

PREPARATION OF STAFF REPORT

Prepared By:
Brooke McKinney
Treasury Operations Division Manager

Department Head Approval:
Marshall Eyerman
Chief Financial Officer

CITY COUNCIL GOALS

Public Facilities and Capital Projects. Ensure that needed public facilities, roadway improvements, and other infrastructure improvements are constructed and maintained.

CITY COUNCIL STRATEGIC PRIORITIES

1. **Economic Development**
2. **Public Safety**
3. **Library**
4. **Infrastructure**
5. **Beautification, Community Engagement, and Quality of Life**
6. **Youth Programs**

Objective 5.6: Enhance community outreach, partnership opportunities, and stakeholder ownership of the City’s parks and recreation services, programs and events.

ATTACHMENTS

1. Resolution No. 2016-72, Moreno Valley Lease
2. Resolution No. MVPFA 2016-01, Moreno Valley Lease (2016)
3. Preliminary Official Statement for Moreno Valley (2016 Refunding)
4. First Amendment to Master Facilities (Site) Lease - Moreno Valley LRRB 2016
5. First Amendment to Master Facilities Sublease - Moreno Valley LRRB 2016

6. First Supplement to 2015 Electric Master Trust Agreement - Moreno Valley LRRB 2016

APPROVALS

Budget Officer Approval	✓ Approved	10/17/16 7:47 AM
City Attorney Approval	✓ Approved	10/17/16 1:29 PM
City Manager Approval	✓ Approved	10/18/16 2:40 PM

RESULT:	**CONTINUED [UNANIMOUS]**	**Next: 11/15/2016 6:00 PM**
MOVER:	Jeffrey J. Giba, Mayor Pro Tem	
SECONDER:	Jesse L. Molina, Council Member	
AYES:	Jeffrey J. Giba, George E. Price, Jesse L. Molina, D. LaDonna Jempson	
ABSENT:	Dr. Yxstian A. Gutierrez	

RESOLUTION NO. 2016-72

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORENO VALLEY, CALIFORNIA, APPROVING THE ISSUANCE BY THE MORENO VALLEY PUBLIC FINANCING AUTHORITY OF NOT TO EXCEED $26,500,000 AGGREGATE PRINCIPAL AMOUNT OF LEASE REVENUE REFUNDING BONDS, SERIES 2016 (TAXABLE) TO REFUND CERTAIN OUTSTANDING BONDS; AUTHORIZING EXECUTION AND DELIVERY OF A FIRST AMENDMENT TO MASTER FACILITIES LEASE, A FIRST AMENDMENT TO MASTER FACILITIES SUBLEASE AND A BOND PURCHASE AGREEMENT; APPROVING THE FORM OF OFFICIAL STATEMENT; AND AUTHORIZING EXECUTION OF DOCUMENTS AND THE TAKING OF ALL NECESSARY ACTIONS RELATING TO THE REFINANCING WITH THE MORENO VALLEY PUBLIC FINANCING AUTHORITY

WHEREAS, the City of Moreno Valley (the "City") and the former Community Redevelopment Agency of the City of Moreno Valley (the "Agency") have heretofore executed a Joint Exercise of Powers Agreement, dated as of October 28, 1997 (the "Joint Powers Agreement"), by and between the City and the Agency, which Joint Powers Agreement creates and establishes the Moreno Valley Public Financing Authority (the "Authority");

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Marks-Roos Local Bond Pooling Act of 1985") and the Joint Powers Agreement, the Authority is authorized to issue bonds for financing and refinancing public capital improvements whenever there are significant public benefits to be realized;

WHEREAS, the City previously leased certain real property and improvements thereon (the "Facilities") to the Authority pursuant to a Master Facilities Lease, dated as of December 1, 2015 (the "2015 Master Facilities Lease");

WHEREAS, the Authority subleased the Facilities back to the City pursuant to a Master Facilities Sublease, dated as of December 1, 2015 (the "2015 Master Facilities Sublease");

WHEREAS, the Authority issued its Lease Revenue Bonds, Series 2015 (Taxable) (the "Series 2015 Bonds") pursuant to a Master Trust Agreement, dated as of December 1, 2015, (the "2015 Master Trust Agreement") between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee");

WHEREAS, the proceeds of the Series 2015 Bonds were applied by the City to finance the 2015 Project, as defined in the 2015 Master Trust Agreement;

WHEREAS, the City desires to approve the Authority's issuance of its Lease Revenue Refunding Bonds, Series 2016 (Taxable) (the "Series 2016 Bonds") pursuant to a First

Supplement to Master Trust Agreement, as so amended the "2016 Master Trust Agreement," the proceeds of which will be applied by the City to refund the remaining outstanding Moreno Valley Public Financing Authority 2007 Taxable Lease Revenue Bonds (the "2007 Refunded Bonds"), referred to herein as the "2016 Refunding Project;"

WHEREAS, in order to accomplish the 2016 Refunding Project, the Authority and the City are entering into a First Amendment to Master Facilities Lease in order to amend the 2015 Master Facilities Lease, as so amended, the "2016 Master Facilities Lease," (i) to add certain additional real property and improvements thereon, including (a) Kitching Substation and (b) Moreno Beach Substation (the "Additional City Property") to Exhibit A of the 2015 Master Facilities Lease and (ii) to make certain other modifications in order to provide for the execution and delivery of the Series 2016 Bonds in accordance with the provisions of the 2016 Master Trust Agreement;

WHEREAS, in order to accomplish the 2016 Refunding Project, the Authority and the City are also entering into a First Amendment to Master Facilities Sublease in order to amend the 2015 Master Facilities Sublease, as so amended, the "2016 Master Facilities Sublease," (i) to add Additional City Property to Exhibit A of the 2016 Master Facilities Sublease, (ii) to increase the amount of base rental payments payable thereunder and (iii) to make certain other modifications in order to provide for the execution and delivery of the Series 2016 Bonds in accordance with the provisions of the 2016 Master Trust Agreement;

WHEREAS, the Authority and the City have determined that the sum of Base Rental Payments, including Base Rental Payments payable as provided in the 2016 Master Facilities Sublease in any year is not in excess of the annual fair rental value of the Facilities, including any Additional City Property added to Exhibit A to the 2016 Master Facilities Sublease;

WHEREAS, the Authority and the City desire to enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with Stifel Nicolaus & Company, Incorporated (the "Underwriter");

WHEREAS, there have been submitted and are on file with the City Clerk proposed forms of the First Amendment to Master Facilities Lease, the First Amendment to Master Facilities Sublease, the Bond Purchase Agreement, an Official Statement with respect to the Series 2016 Bonds proposed to be sold by the Authority, and the First Supplement to Master Trust Agreement; and

WHEREAS, the issuance of the Series 2016 Bonds by the Authority and the execution and delivery of the First Amendment to Master Facilities Lease and the First Amendment to Master Facilities Sublease will result in significant public benefits through demonstrable savings in the effective interest rates and bond issuance costs, and it furthers the public purpose to assist in such refinancing;

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF MORENO VALLEY HEREBY FINDS, DETERMINES, DECLARES AND RESOLVES AS FOLLOWS:

Section 1. All of the recitals set forth above are true and correct, and the City Council so finds and determines.

Section 2. The City Council hereby approves the issuance of the Series 2016 Bonds by the Authority, in an aggregate principal amount not to exceed $26,500,000, to refund the 2007 Refunded Bonds; provided that the yield on the Series 2016 Bonds shall not exceed the yield on the 2007 Refunded Bonds. The City Manager, Chief Financial Officer and Financial and Administrative Services Director (the "Authorized Officers") of the City are hereby directed to perform the duties, if any, imposed upon each of them by the provisions of the financing documents approved herein, including the 2016 Master Trust Agreement for the Series 2016 Bonds, the First Amendment to Master Facilities Sublease, the First Amendment to Master Facilities Lease and the Bond Purchase Agreement.

Section 3. The proposed form of First Amendment to Master Facilities Lease, by and between the City and the Authority, on file with the City Clerk, is hereby approved. The Authorized Officers, jointly and severally, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver a facilities lease in substantially said form, with such changes therein as such officers may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The proposed form of First Amendment to Master Facilities Sublease, by and between the Authority and City, on file with the City Clerk, is hereby approved. The Authorized Officers, jointly and severally, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver a facilities sublease in substantially said form, with such changes therein as such officers may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The proposed form of Bond Purchase Agreement, by and among the Underwriter, the Authority and the City, on file with the City Clerk, is hereby approved. The Authorized Officers, jointly and severally, or any such officer's designee, are each hereby authorized and directed, on behalf of the City, to execute and deliver a bond purchase contract in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, the underwriting discount (not including original issue discount) shall not exceed 1.00% of the aggregate principal amount of the Series 2016 Bonds.

Section 6. The proposed form of Official Statement relating to the Series 2016 Bonds (the "Official Statement"), on file with the City Clerk, is hereby approved. The Authorized Officers, jointly and severally, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver an Official Statement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby directed to distribute copies of the Official Statement to all actual purchasers of the Series 2016 Bonds. Distribution by the Underwriter of a preliminary Official Statement relating to the Series 2016 Bonds is hereby approved and the Authorized Officers, jointly and severally, are hereby authorized and directed, to execute a certificate confirming that the preliminary Official

Statement has been “deemed final” by the City for purposes of Securities and Exchange Commission Rule 15c2-12.

Section 7. The Authorized Officers, jointly and severally, are hereby authorized on behalf of the City to execute and deliver a Continuing Disclosure Certificate with Wells Fargo Bank, National Association, as trustee, containing such covenants of the City as shall be necessary to comply with the requirements of Securities and Exchange Commission Rule 15c2-12. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate.

Section 8. The Authorized Officers and City Council members of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents and certificates which they deem necessary or advisable in order to consummate the execution and delivery of the documents mentioned herein and otherwise to effectuate the purposes of this Resolution and the transactions contemplated hereby, including but not limited to executing and delivering an escrow agreement and taking such steps as may be necessary to include Additional City Property in the 2016 Master Facilities Lease and the 2016 Master Facilities Sublease as may be necessary to accomplish the 2016 Refunding Project, and obtaining bond insurance and/or a reserve fund surety policy.

Section 9. All actions heretofore taken by the officers and agents of the Council of the City with respect to the refinancing are hereby ratified, confirmed and approved.

Section 10. This Resolution shall take effect from and after its adoption and approval.

APPROVED AND ADOPTED this 1st day of November, 2016.

____

Mayor

ATTEST:

____

City Clerk

APPROVED AS TO FORM:

____

City Attorney

CLERK'S CERTIFICATE

The undersigned, City Clerk of the City of Moreno Valley, does hereby certify as follows:

The foregoing resolution is a full, true and correct copy of a resolution duly adopted by a vote of a majority of the City Council of the City of Moreno Valley at a regular meeting of said Council duly and regularly and legally held at the Council Chambers of the City Council, City Hall, 14177 Frederick Street, Moreno Valley, California, on November 1, 2016, of which all of such members had due notice, as follows:

AYES:

NOES:

ABSTAIN:

ABSENT:

An agenda of said meeting was posted at least 72 hours before said meeting at 14177 Frederick Street, Moreno Valley, California, a location freely accessible to members of the public, and a brief description of said resolution appeared on said agenda.

I have carefully compared the foregoing with the original minutes of said meeting on file and of record in my office, and the foregoing is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes.

Said resolution has not been amended, modified or rescinded since the date of its adoption and the same is now in full force and effect.

Dated: __________, 2016.

____
City Clerk of the City of Moreno Valley

[Seal]

MORENO VALLEY PUBLIC FINANCING AUTHORITY
RESOLUTION NO. MVPFA 2016-01

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF LEASE REVENUE REFUNDING BONDS TO REFUND CERTAIN OUTSTANDING BONDS; APPROVING THE FORMS OF A FIRST SUPPLEMENT TO MASTER TRUST AGREEMENT, A FIRST AMENDMENT TO MASTER FACILITIES LEASE, A FIRST AMENDMENT TO MASTER FACILITIES SUBLEASE AND A BOND PURCHASE AGREEMENT; APPROVING AN OFFICIAL STATEMENT DESCRIBING SAID BONDS; AND AUTHORIZING EXECUTION OF DOCUMENTS AND THE TAKING OF ALL NECESSARY ACTIONS RELATING TO THE ISSUANCE OF THE BONDS

WHEREAS, the City of Moreno Valley (the "City") and the former Community Redevelopment Agency of the City of Moreno Valley (the "Agency") have heretofore executed a Joint Exercise of Powers Agreement, dated as of October 28, 1997 (the "Joint Powers Agreement"), by and between the City and the Agency, which Joint Powers Agreement creates and establishes the Moreno Valley Public Financing Authority (the "Authority");

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Marks-Roos Local Bond Pooling Act of 1985") and the Joint Powers Agreement, the Authority is authorized to issue bonds for financing and refinancing public capital improvements whenever there are significant public benefits to be realized;

WHEREAS, the City previously leased certain real property and improvements thereon (the "Facilities") to the Authority pursuant to a Master Facilities Lease, dated as of December 1, 2015 (the "2015 Master Facilities Lease");

WHEREAS, the Authority subleased the Facilities back to the City pursuant to a Master Facilities Sublease, dated as of December 1, 2015 (the "2015 Master Facilities Sublease");

WHEREAS, the Authority issued its Lease Revenue Bonds, Series 2015 (Taxable) (the "Series 2015 Bonds") pursuant to a Master Trust Agreement, dated as of December 1, 2015, (the "2015 Master Trust Agreement") between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee");

WHEREAS, the proceeds of the Series 2015 Bonds were applied by the City to finance the 2015 Project, as defined in the 2015 Master Trust Agreement;

WHEREAS, the Authority desires to issue its Lease Revenue Refunding Bonds, Series 2016 (Taxable) (the "Series 2016 Bonds") pursuant to a First Supplement to Master Trust Agreement, as so amended the "2016 Master Trust Agreement," the proceeds of which will be applied by the City to refund the remaining outstanding Moreno Valley Public Financing Authority 2007 Taxable Lease Revenue Bonds (the "2007 Refunded Bonds"), referred to herein as the "2016 Refunding Project;"

WHEREAS, in order to accomplish the 2016 Refunding Project, the Authority and the City desire to enter into a First Amendment to Master Facilities Lease in order to amend the 2015 Master Facilities Lease, as so amended, the "2016 Master Facilities Lease," (i) to add certain additional real property and improvements thereon, including (a) Kitching Substation and (b) Moreno Beach

substation (the "Additional City Property"), to Exhibit A of the 2015 Master Facilities Lease and (ii) to make certain other modifications in order to provide for the execution and delivery of the Series 2016 Bonds in accordance with the provisions of the 2016 Master Trust Agreement;

WHEREAS, in order to accomplish the 2016 Refunding Project, the Authority and the City also desire to enter into a First Amendment to Master Facilities Sublease in order to amend the 2015 Master Facilities Sublease, as so amended, the "2016 Master Facilities Sublease," (i) to add Additional City Property to Exhibit A of the 2015 Master Facilities Sublease, (ii) to increase the amount of base rental payments payable thereunder and (iii) to make certain other modifications in order to provide for the execution and delivery of the Series 2016 Bonds in accordance with the provisions of the 2016 Master Trust Agreement;

WHEREAS, the Authority and the City have determined that the sum of Base Rental Payments, including Base Rental Payments payable as provided in the 2016 Master Facilities Sublease in any year is not in excess of the annual fair rental value of the Facilities, including any Additional City Property added to Exhibit A to the 2016 Master Facilities Sublease;

WHEREAS, the Authority and the City desire to enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with Stifel Nicolaus & Company, Incorporated (the "Underwriter");

WHEREAS, there have been submitted and are on file with the Secretary proposed forms of the First Amendment to Master Facilities Lease, the First Amendment to Master Facilities Sublease, the Bond Purchase Agreement, an Official Statement with respect to the Series 2016 Bonds proposed to be sold by the Authority, and the First Supplement to Master Trust Agreement; and

WHEREAS, the issuance of the Series 2016 Bonds by the Authority and the execution and delivery of the First Amendment to Master Facilities Lease, the First Amendment to Master Facilities Sublease and the First Supplement to Master Trust Agreement will result in significant public benefits through demonstrable savings in the effective interest rates and bond issuance costs, and it furthers the public purpose to assist in such refinancing;

NOW THEREFORE, THE BOARD OF DIRECTORS OF THE MORENO VALLEY PUBLIC FINANCING AUTHORITY HEREBY FINDS, DETERMINES, DECLARES AND RESOLVES, AS FOLLOWS:

Section 1. The foregoing recitals are true and correct and the Authority hereby so finds and determines.

Section 2. The issuance and sale of the Moreno Valley Public Financing Authority Lease Revenue Refunding Bonds, Series 2016, in an aggregate principal amount not to exceed $26,500,000, are hereby approved.

Section 3. The proposed form of First Supplement to Trust Agreement, by and between the Authority and Trustee, on file with the Secretary of the Authority, is hereby approved. The Chairman, the Vice Chairman, the Executive Director, the Treasurer and the Secretary (each an "Authorized Officer"), jointly and severally, are hereby authorized and directed for and in the name and on behalf of the Authority, to execute and deliver a First Supplement to Master Trust Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The date, maturity date or dates (not to exceed May 1, 2038), interest rate or rates (not to exceed a true interest cost of 5.5% per annum), interest payment dates, series, denominations, forms, registration privileges, manner of execution, place or places of payment, terms of redemption and other terms of the Series 2016 Bonds shall be as provided in said First Supplement to Master Trust Agreement, as finally executed.

Section 4. The proposed form of First Amendment to Master Facilities Lease, by and between the City and the Authority, on file with the Secretary of the Authority, is hereby approved. The Authorized Officers, jointly and severally, are hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver a First Amendment to Master Facilities Lease in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The proposed form of First Amendment to Master Facilities Sublease, by and between the Authority and City, on file with the Secretary of the Authority, is hereby approved. The Authorized Officers, jointly and severally, are hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver a First Amendment to Master Facilities Sublease in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The proposed form of Bond Purchase Agreement among the Authority, the Underwriter and the City, on file with the Secretary of the Authority, is hereby approved. The Authorized Officers, jointly and severally, are hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver a bond purchase contract in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, the underwriting discount (not including original issue discount) shall not exceed 1.00% of the aggregate principal amount of the Series 2016 Bonds; and provided further that the yield on the Series 2016 Bonds shall not exceed the yield on the 2007 Refunded Bonds.

Section 7. The proposed form of Official Statement relating to the Series 2016 Bonds (the "Official Statement"), on file with the Secretary of the Authority and incorporated into this Resolution by reference, is hereby approved. The Authorized Officers, jointly and severally, are hereby authorized and directed, for the Authority, to execute and deliver an Official Statement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby directed to distribute copies of the Official Statement to all actual purchasers of the Series 2016 Bonds. Distribution by the Underwriter of a preliminary Official Statement relating to the Series 2016 Bonds is hereby approved and the Chairman, the Vice Chairman, the Executive Director, the Treasurer and the Secretary, jointly and severally, are hereby authorized and directed, to execute a certificate confirming that the preliminary Official Statement has been "deemed final" by the Authority for purposes of Securities and Exchange Commission Rule 15c2-12.

Section 8. The Authorized Officers, jointly and severally, are hereby authorized on behalf of the Authority to execute and deliver a Continuing Disclosure Certificate with Wells Fargo Bank, National Association, as trustee, containing such covenants of the Authority as shall be necessary to comply with the requirements of Securities and Exchange Commission Rule 15c2-12. The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate.

Section 9. The Board hereby confirms the appointment of Orrick, Herrington & Sutcliffe, LLP, as Bond Counsel and approves Stradling Yocca Carlson & Rauth, as counsel for the Underwriter.

Section 10. The officers and directors of the Authority are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents and certificates which they deem necessary or advisable in order to consummate the issuance, sale and delivery of the Series 2016 Bonds and otherwise to effectuate the purposes of this Resolution and the transactions contemplated hereby, including but not limited to executing and delivering an escrow agreement and taking such steps as may be necessary to include Additional City Property in the 2016 Master Facilities Lease and the 2016 Master Facilities Sublease as may be necessary to accomplish the 2016 Refunding Project, and obtaining bond insurance and/or a reserve fund surety policy.

Section 11. The officers and board members of the Authority are hereby authorized and directed, jointly and severally, to execute and deliver any Certificate of the Authority or Written Request of the Authority required to be delivered pursuant to the 2016 Refunding Project.

Section 12. All action heretofore taken by the officers and agents of the Board of Directors of the Authority with respect to the refinancing are hereby ratified, confirmed and approved.

Section 13. This Resolution shall take effect from and after its adoption.

APPROVED AND ADOPTED this 1st day of November, 2016

____
Chairperson

APPROVED AS TO FORM:

____
Authority Legal Advisor

ATTEST:

____
Authority Secretary

<u>SECRETARY'S CERTIFICATE</u>

The undersigned, Secretary of the Moreno Valley Public Financing Authority, does hereby certify as follows:

The foregoing resolution is a full, true and correct copy of a resolution duly adopted by a vote of a majority of the members of the Board of Directors of said Authority at a regular meeting of the Board of Directors of said Authority duly and legally held at Council Chambers of the City Council, City Hall, 14177 Frederick Street, Moreno Valley, California, on November 1, 2016, of which meeting all of such members had due notice, as follows:

AYES:

NOES:

ABSTAIN:

ABSENT:

An agenda of said meeting was posted at least 72 hours before said meeting at 14177 Frederick Street, Moreno Valley, California, a location freely accessible to members of the public, and a brief description of said resolution appeared on said agenda.

I have carefully compared the foregoing with the original minutes of said meeting on file and of record in my office, and the foregoing is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes.

Said resolution has not been amended, modified or rescinded since the date of its adoption and the same is now in full force and effect.

Dated: __________, 2016.

____
Secretary of the
Moreno Valley Public Financing Authority

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER __, 2016

RATINGS: Insured: S&P: "__"
Underlying: S&P: "__"
See the caption "RATINGS."

NEW ISSUE – BOOK-ENTRY ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2016 Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Series 2016 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2016 Bonds. See "TAX MATTERS."

$_________*

MORENO VALLEY PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS, SERIES 2016 (TAXABLE)

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

The Moreno Valley Public Financing Authority Lease Revenue Refunding Bonds, Series 2016 (Taxable) (the "Series 2016 Bonds") are payable from base rental payments (the "Base Rental Payments") to be made by the City of Moreno Valley (the "City") to the Moreno Valley Public Financing Authority (the "Authority") for the right to use certain real property (collectively, the "Property") pursuant to a First Amendment to Master Facilities Sublease, dated as of November 1, 2016 (the "Facilities Sublease"), by and between the City, as sublessee, and the Authority, as sublessor. See the captions "THE PROPERTY" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS."

The Series 2016 Bonds are secured on a parity with the Moreno Valley Public Financing Authority Lease Revenue Bonds, Series 2015 (Taxable), issued in the aggregate principal amount of $10,430,000 and currently outstanding in the aggregate principal amount of $10,255,000 (the "Series 2015 Bonds").

The Series 2016 Bonds are being issued to provide funds: (i) to refund the remaining outstanding Moreno Valley Public Financing Authority 2007 Taxable Lease Revenue Bonds; (ii) to purchase a municipal bond insurance policy (the "Policy") from __________ ("__________") to guarantee the payment of principal of and interest on the Series 2016 Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy (the "Reserve Policy") from __________ for deposit in the Reserve Fund for the Series 2016 Bonds; (iv) to fund capitalized interest on the Series 2016 Bonds through _____ 1, 201__; and (v) to pay the costs incurred in connection with the issuance of the Series 2016 Bonds. See the captions "THE REFUNDING PLAN" and "SOURCES AND USES OF FUNDS." The City has covenanted under the Facilities Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due thereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments. The City's obligation to make Base Rental Payments is subject to abatement during any period in which by reason of any material damage or destruction (other than by condemnation) there is substantial interference with the use and occupancy of the Property by the City, in the proportion in which the cost of that portion of the Property rendered unusable bears to the cost of the whole of the Property. See the caption "RISK FACTORS — Abatement."

The Series 2016 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2016 Bonds is payable semiannually on each May 1 and November 1, commencing May 1, 2017. Purchasers will not receive certificates representing their interest in the Series 2016 Bonds. Individual purchases will be in principal amounts of $5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2016 Bonds will be paid by Wells Fargo Bank, National Association, as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC Participants, who are obligated to remit such payments to the Beneficial Owners of the Series 2016 Bonds. See the caption "THE SERIES 2016 BONDS — Book-Entry Only System."

The Series 2016 Bonds will be issued pursuant to a Master Trust Agreement, dated as of December 1, 2015, by and among the City, the Authority and the Trustee (the "2015 Master Trust Agreement), as amended by that certain First Supplement to Master Trust Agreement, dated as of November 1, 2016, by and among the City, the Authority and the Trustee (the "First Supplement to the 2015 Master Trust Agreement," and, together with the 2015 Master Trust Agreement, the "Trust Agreement"). The Series 2016 Bonds, the Series 2015 Bonds and any additional bonds issued pursuant to the Trust Agreement ("Additional Bonds") are collectively referred to as the "Bonds."

The Series 2016 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity and extraordinary redemption from insurance or condemnation proceeds as described herein. See the caption "THE SERIES 2016 BONDS — Redemption."

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues described herein, and the Authority is not obligated to pay them except from the Revenues. All of the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided herein.

The Series 2016 Bonds are not a debt of the City, the State of the California (the "State") or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable thereon, nor in any event shall the Series 2016 Bonds be payable out of any funds or properties other than those of the Authority as described herein. The Series 2016 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

The scheduled payment of principal of and interest on the Series 2016 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2016 Bonds by __________.

[INSURER LOGO]

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

The Series 2016 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and counsel to the Authority, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport

Beach, California, as Disclosure Counsel, for the Underwriter by Norton Rose Fulbright US LLP and for the Trustee by its counsel. It is anticipated that the Series 2016 Bonds will be available for delivery through the facilities of DTC on or about November __, 2016.

[STIFEL LOGO]

Dated: November __, 2016

** Preliminary, subject to change.*

$_________
MORENO VALLEY PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS, SERIES 2016 (TAXABLE)

MATURITY SCHEDULE

BASE CUSIP®†: __________

Maturity Date (November 1)	***Principal Amount***	***Interest Rate***	***Yield***	***Price***	***CUSIP®†***
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					

$__________ ____% Term Bond due November 1, 20__ – Yield ______, Price: ______, CUSIP®†: ___
$__________ ____% Term Bond due November 1, 20__ – Yield ______, Price: ______, CUSIP®†: ___

† *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Authority or the Underwriter takes any responsibility for the accuracy of such numbers.*

No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2016 Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Series 2016 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

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

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2016 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend" or similar words. Such forward-looking statements include, but are not limited to, certain statements contained under the captions "CITY FINANCIAL INFORMATION" and "RISK FACTORS."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2016 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 BONDS AT A LEVEL ABOVE THAT

WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2016 BONDS TO CERTAIN DEALERS, DEALER BANKS, BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE INSIDE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES 2016 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The City maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2016 Bonds.

[INSURER] ("__________") makes no representation regarding the Series 2016 Bonds or the advisability of investing in the Series 2016 Bonds. In addition, __________ has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding __________ supplied by __________ and presented under the caption "BOND INSURANCE" and in Appendix G — "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

CITY OF MORENO VALLEY

MAYOR AND MEMBERS OF THE CITY COUNCIL

Dr. Yxstian Gutierrez, Mayor
Jeffrey J. Giba, Mayor Pro Tem
D. LaDonna Jempson, Councilmember
Jesse L. Molina, Councilmember
George E. Price, Councilmember

MORENO VALLEY PUBLIC FINANCING AUTHORITY

Dr. Yxstian Gutierrez, Chair
Jeffrey J. Giba, Vice Chair
D. LaDonna Jempson, Boardmember
Jesse L. Molina, Boardmember
George E. Price, Boardmember

STAFF

Michelle Dawson, City Manager/Authority Executive Director
Marshall Eyerman, Chief Financial Officer/Authority Treasurer
Brooke McKinney, Treasury Operations Division Manager
Ahmad R. Ansari, City Public Works Director/City Engineer
Marie Macias, Interim City Clerk/Authority Secretary
Martin Koczanowicz, City Attorney

SPECIAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Disclosure Counsel

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

Financial Advisor

Fieldman Rolapp & Associates, Inc.
Irvine, California

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

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MORENO VALLEY PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS, SERIES 2016 (TAXABLE)

INTRODUCTION

General

This Official Statement, which includes the cover page, the inside cover page and the appendices hereto (the "Official Statement"), provides certain information concerning the sale and delivery of the $_________[*] aggregate principal amount of Moreno Valley Public Financing Authority Lease Revenue Refunding Bonds, Series 2016 (Taxable) (the "Series 2016 Bonds"). The Series 2016 Bonds are being issued by the Moreno Valley Public Financing Authority (the "Authority") pursuant to a Master Trust Agreement, dated as of December 1, 2015 (the "2015 Master Trust Agreement), by and among the City, the Authority and the Wells Fargo Bank, National Association, as trustee (the "Trustee"), as amended by that certain First Supplement to Master Trust Agreement, dated as of November 1, 2016, by and among the City, the Authority and the Trustee (the "First Supplement to the 2015 Master Trust Agreement," and, together with the 2015 Master Trust Agreement, the "Trust Agreement").

The net proceeds of the sale of the Series 2016 Bonds will be used: (i) to refund the remaining outstanding Moreno Valley Public Financing Authority 2007 Taxable Lease Revenue Bonds, currently outstanding in the aggregate principal amount of $22,600,000 (the "Refunded Bonds"); (ii) to purchase a municipal bond insurance policy (the "Policy") from [INSURER] ("__________") to guarantee the payment of principal of and interest on the Series 2016 Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy (the "Reserve Policy") from __________ for deposit in the Reserve Fund for the Series 2016 Bonds; (iv) to fund capitalized interest on the Series 2016 Bonds through _____ 1, 201__; and (v) to pay the costs incurred in connection with the issuance of the Series 2016 Bonds. See the captions "THE REFUNDING PLAN," "BOND INSURANCE" and "SOURCES AND USES OF FUNDS."

Security for the Series 2016 Bonds

Pursuant to Master Facilities Lease, dated as of December 1, 2015, by and between the Authority, as lessee, and the City of Moreno Valley (the "City"), as sublessor (the "2015 Master Facilities Lease"), as amended by that certain First Amendment to Master Facilities Lease, dated as of November 1, 2016, by and between the City and the Authority (the "First Amendment to the 2015 Master Facilities Lease," and, together with the 2015 Master Facilities Lease, the "Facilities Lease"), the City has leased certain real property and improvements owned by the City (collectively, the "Property") to the Authority in consideration for the Authority's assistance in issuing the Series 2016 Bonds.

Pursuant to a Master Facilities Sublease, dated as of December 1, 2015, by and between the City of Moreno Valley (the "City"), as sublessee, and the Authority, as sublessor (the "2015 Master Facilities Sublease"), as amended by that certain First Amendment to Master Facilities Sublease, dated as of November 1, 2016, by and between the City and the Authority (the "First Amendment to the 2015 Master Facilities Sublease," and, together with the 2015 Master Facilities Sublease, the "Facilities Sublease"), the Authority has subleased the Property back to the City in consideration for the payment of rental payments (the "Base Rental Payments") to be made by the City for the right to use the Property.

The Series 2016 Bonds are secured on a parity with the Moreno Valley Public Financing Authority Lease Revenue Bonds, Series 2015 (Taxable), issued in the aggregate principal amount of $10,430,000 and currently outstanding in the aggregate principal amount of $10,255,000 (the "Series 2015 Bonds") issued pursuant to the Trust Agreement. Pursuant to the Trust Agreement, the Authority may issue additional bonds

[*] *Preliminary, subject to change.*

(the “Additional Bonds”) payable from the Base Rental Payments on a parity with the Series 2016 Bonds (the Series 2016 Bonds, the Series 2015 Bonds and any such Additional Bonds being collectively referred to as the “Bonds”). See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS — Additional Bonds.”

The Bonds are equally and ratably payable from: (i) the Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Facilities Sublease (but not including Additional Payments as described herein); and (ii) all interest or other income from any investment of any money in any fund or account established pursuant to the Trust Agreement or the Facilities Sublease (collectively, the “Revenues”). The Authority has assigned its right, title and interest in the Base Rental Payments and its right to enforce remedies under the Facilities Sublease to the Trustee as security for the payment of the Bonds.

The City has covenanted in the Facilities Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due thereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments, subject to abatement as described in this Official Statement.

Revenues of the City’s electric utility (the “Electric Utility”) are not pledged as security for the Bonds. However, net revenues of the Electric Utility (revenues remaining after payment of operation and maintenance costs thereof and debt service obligations with respect thereto) are available to pay Base Rental Payments, and the City currently expects to pay all or a portion of Base Rental Payments from such net revenues of the Electric Utility. Notwithstanding the foregoing, the City makes no assurances regarding the amount of net revenues of the Electric Utility or the availability of net revenues of the Electric Utility to pay Base Rental Payments.

The Base Rental Payments and Additional Payments will be abated proportionately, during any period in which by reason of any material damage or destruction (other than by condemnation, which is provided for in the Facilities Sublease) there is substantial interference with the use and occupancy of the Property by the City, in the proportion in which the cost of that portion of the Property rendered unusable bears to the cost of the whole of the Property. See the caption “RISK FACTORS — Abatement.” Abatement of Base Rental Payments under the Facilities Sublease, to the extent that payment is not made from alternative sources as described in this Official Statement, would result in all Bond Owners receiving less than the full amount of principal of and interest on the Bonds. To the extent that proceeds of insurance are available, Base Rental Payments (or a portion thereof) may be made during periods of abatement.

THE SERIES 2016 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE, AS TO INTEREST THEREON, PRINCIPAL THEREOF AND ANY PREMIUMS UPON THE REDEMPTION OF ANY THEREOF, SOLELY FROM THE REVENUES DESCRIBED HEREIN, AND THE AUTHORITY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM THE REVENUES. ALL OF THE SERIES 2016 BONDS ARE EQUALLY SECURED BY A PLEDGE OF AND CHARGE AND LIEN UPON THE REVENUES, AND THE REVENUES CONSTITUTE A TRUST FUND FOR THE SECURITY AND PAYMENT OF THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2016 BONDS AS PROVIDED HEREIN.

THE SERIES 2016 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF THE CALIFORNIA (THE “STATE”) OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE SERIES 2016 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS DESCRIBED HEREIN. THE SERIES 2016 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

Book-Entry Only System

The Series 2016 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2016 Bonds is payable semiannually on each May 1 and November 1, commencing May 1, 2017. Purchasers will not receive certificates representing their interest in the Series 2016 Bonds. Individual purchases will be in principal amounts of $5,000 or integral multiples thereof. Principal of and interest on the Series 2016 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, which are obligated to remit such payments to the Beneficial Owners of the Series 2016 Bonds. See the caption "THE SERIES 2016 BONDS — Book-Entry Only System."

Redemption

The Series 2016 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity and extraordinary redemption from insurance or condemnation proceeds as described herein. See the caption "THE SERIES 2016 BONDS — Redemption."

Bond Insurance

Payment of the principal of and interest on the Series 2016 Bonds will be insured by the Policy to be issued by [INSURER] concurrently with the issuance of the Series 2016 Bonds. See the caption "BOND INSURANCE."

Reserve Fund

A Reserve Fund for the Bonds has been established pursuant to the Trust Agreement. [INSURER] has committed to issue, concurrently with the issuance of the Series 2016 Bonds, the Reserve Policy for the benefit of the Series 2016 Bonds in the initial principal amount of $__________, which constitutes the Reserve Fund Requirement with respect to the Series 2016 Bonds. The Reserve Policy will be deposited in the Reserve Fund. Neither the Authority nor the City are obligated: (i) to make any additional deposits into the Reserve Fund in the event that [INSURER] defaults on its obligation to make payments under the Reserve Policy; or (ii) to replace the Reserve Policy in the event of a rating downgrade of [INSURER]. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS — Reserve Fund."

Legal Matters

Wells Fargo Bank, National Association, Los Angeles, California, will act as Trustee with respect to the Series 2016 Bonds. The Series 2016 Bonds will be issued subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by Martin Koczanowicz, City Attorney and counsel to the Authority, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the Underwriter by Norton Rose Fulbright US LLP and for the Trustee by its counsel.

Miscellaneous

The City's financial statements for the fiscal year of the City ended June 30, 2015 (each fiscal year of the City ended June 30, a "Fiscal Year") included as Appendix B hereto have been audited by Lance, Soll & Lunghard, LLP, Certified Public Accountants, Brea, California (the "Auditor"). The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City.

Certain events could affect the ability of the City to make the Base Rental Payments when due. See the caption "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2016 Bonds.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for a budget discussion for Fiscal Year 2016-17, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The summaries or references to the Trust Agreement, the Facilities Lease, the Facilities Sublease and other documents, agreements and statutes referred to herein, and the description of the Series 2016 Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All capitalized terms used in this Official Statement and not otherwise defined have the meanings set forth in Appendix A.

THE SERIES 2016 BONDS

General

The Series 2016 Bonds will be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof. The Series 2016 Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page hereof. Interest on the Series 2016 Bonds will be paid semiannually on each May 1 and November 1, commencing May 1, 2017 (each, an "Interest Payment Date").

The Series 2016 Bonds will bear interest from the Interest Payment Date next preceding the date of registration thereof, unless such date of registration is an Interest Payment Date, in which event they will bear interest from such date, or unless such date of registration is prior to the first Interest Payment Date, in which event they will bear interest from their dated date. Payment of interest on the Series 2016 Bonds due on or before the maturity or prior redemption thereof will be paid by check mailed by first class mail on each Interest Payment Date to the person in whose name the Series 2016 Bond is registered as of the applicable Record Date for such Interest Payment Date at the address shown on the registration books maintained by the Trustee pursuant to the Trust Agreement; provided, however, that interest on any Series 2016 Bonds will be paid by wire transfer or other means to provide immediately available funds to any Holder of at least $1,000,000 in aggregate principal amount of such Series 2016 Bonds, at its option, according to wire instructions to an account within the United States of America given to the Trustee in writing for such purpose and on file prior to the applicable Record Date preceding the Interest Payment Date.

Interest on any Series 2016 Bond will cease to accrue: (i) on the maturity date thereof, provided that there has been irrevocably deposited with the Trustee an amount sufficient to pay the principal amount thereof, plus interest accrued thereon to such date; or (ii) on the redemption date thereof, provided that there has been irrevocably deposited with the Trustee an amount sufficient to pay the Redemption Price thereof, plus interest accrued thereon to such date. The Holder of such Series 2016 Bond is not entitled to any other payment, and such Series 2016 Bond will no longer be Outstanding and entitled to the benefits of the Trust Agreement, except for the payment of the principal amount or Redemption Price, of such Series 2016 Bond, as appropriate, from moneys held by the Trustee for such payment.

The principal of the Series 2016 Bonds will be payable by check in lawful money of the United States of America at the Principal Office of the Trustee. No payment of principal will be made on any Series 2016 Bond unless and until such Series 2016 Bond is surrendered to the Trustee for cancellation.

Redemption

Optional Redemption.[*] [The Series 2016 Bonds maturing on and after November 1, 20__ are subject to optional redemption prior to their stated Principal Payment Dates, on any date on or after November 1, 20__, in whole or in part, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Facilities Sublease, any such prepayment to be at a Redemption Price equal to the principal amount of the Series 2016 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date, without premium.]

Mandatory Sinking Fund Redemption. The Series 2016 Bonds with a stated Principal Payment Date of November 1, 20__ are subject to redemption prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each November 1 specified below, at a Redemption Price equal to the principal amount of the Series 2016 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date, without premium. The principal of such Series 2016 Bonds to be so redeemed and the dates therefor will be as follows:

Mandatory Sinking Fund Payment Date (November 1)	***Principal Amount***
(maturity)	

The Series 2016 Bonds with a stated Principal Payment Date of November 1, 20__ are subject to redemption prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each November 1 specified below, at a Redemption Price equal to the principal amount of the Series 2016 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date, without premium. The principal of such Series 2016 Bonds to be so redeemed and the dates therefor will be as follows:

Mandatory Sinking Fund Payment Date (November 1)	***Principal Amount***
(maturity)	

The amount of each such redemption will be reduced proportionately in the event and to the extent of any and all redemptions of Series 2016 Bonds with a stated Principal Payment Date of November 1, 20__ and November 1, 20__, respectively, pursuant to any provision of the Trust Agreement other than redemptions made pursuant to the mandatory sinking fund redemption provisions of the Trust Agreement.

Extraordinary Redemption from Condemnation Award or Insurance Proceeds. The City will prepay on any date from insurance and eminent domain proceeds, to the extent provided in the Facilities Sublease (provided, however, that in the event of partial damage to or destruction of the Property caused by perils covered by insurance, if in the judgment of the Authority the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Property, such proceeds will be held by the Trustee and used to repair, reconstruct or replace the damaged or destroyed portion of the Property, pursuant to the procedure set forth in the Facilities Sublease for proceeds of insurance), all or any part (in an integral

[*] *Preliminary, subject to change.*

multiple of $5,000 principal component) of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which are payable after such prepayment date will be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date, at a prepayment amount equal to the principal of and interest on the Bonds to the date of redemption of such series of Bonds.

The Series 2016 Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as provided in the Trust Agreement, as a whole or in part by lot within each stated maturity in integral multiples of Authorized Denominations, from prepayments from insurance and eminent domain proceeds made by the City pursuant to the Facilities Sublease (as described in the preceding paragraph), at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the Redemption Date. Whenever less than all of the Outstanding Bonds are to be redeemed on any one date, the Trustee will select, in accordance with written directions from the Authority, the Bonds to be redeemed in part from the Outstanding Bonds so that the aggregate annual principal amount of and interest on Bonds which are payable after such Redemption Date will be as nearly proportional as practicable to the aggregate annual principal amount of and interest on Bonds Outstanding prior to such Redemption Date.

Selection of Bonds for Redemption. If less than all Outstanding Series 2016 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee will select the Series 2016 Bonds of such maturity date to be redeemed at random and promptly notify the Authority in writing of the numbers of the Series 2016 Bonds so selected for redemption. For purposes of such selection, Series 2016 Bonds will be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event that Term Bonds are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption, and in the absence of such Authority designation such redemptions will be allocated in inverse order of Mandatory Sinking Account Payment Dates.

Notice of Redemption; Cancellation. Notice of redemption will be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to: (i) the respective Bondholders of the Series 2016 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee; (ii) the Securities Depositories; and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services will be given by registered mail or overnight delivery or facsimile transmission or by such other method acceptable to such institutions. Each notice of redemption will state the date of such notice, the date of issue of the Bonds, the Series, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2016 Bonds of such maturity, to be redeemed and, in the case of Series 2016 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Series 2016 Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2016 Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect in such notice will not invalidate any of the proceedings taken in connection with such redemption.

The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption rescind and cancel such notice of redemption by Written Request to the Trustee and the Trustee will mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

All Series 2016 Bonds redeemed pursuant to the provisions of the Trust Agreement will be cancelled by the Trustee and destroyed with a certificate of destruction furnished to the Authority upon its request and will not be reissued.

Effect of Notice of Redemption. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2016 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Series 2016 Bonds so called for redemption become due and payable, and from and after the date so designated interest on such Series 2016 Bonds cease to accrue, and the Bondholders of such Series 2016 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry Only System

General. DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2016 Bond will be issued for each maturity of the Series 2016 Bonds, each in the initial aggregate principal amount of such maturity, will be deposited with DTC and will be available to actual purchasers of the Series 2016 Bonds (the "Beneficial Owners") in denominations of $5,000 or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2016 Bonds. See Appendix E for further information with respect to DTC and its book-entry only system.

Transfer and Exchange of Bonds. The following provisions regarding the exchange and transfer of the Series 2016 Bonds apply only during any period in which the Series 2016 Bonds are not subject to DTC's book-entry system. While the Series 2016 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

Any Series 2016 Bond may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of the Trust Agreement by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2016 Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any Series 2016 Bond or Bonds are surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new Series 2016 Bond or Bonds of the same Series and maturity for a like aggregate principal amount of Authorized Denominations. The Trustee will require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

The Authority and the Trustee may, except as otherwise provided in the Trust Agreement, deem and treat the registered owner of any Series 2016 Bond as the absolute owner of such Series 2016 Bond for the purpose of receiving payment thereof and for all other purposes, whether such Series 2016 Bond is overdue or not, and neither the Authority nor the Trustee will be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Series 2016 Bond will be made only to such registered owner, which payments will be valid and effectual to satisfy and discharge liability on such Series 2016 Bond to the extent of the sum or sums so paid.

The Trustee is not required to register the transfer of or exchange any Series 2016 Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Series 2016 Bond selected for redemption in whole or in part as provided in the Trust Agreement or during the period established by the Trustee for selection of Series 2016 Bonds for redemption.

Series 2016 Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Series 2016 Bonds of the same Series and maturity of other authorized denominations. The Trustee will require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The Trustee is not required to exchange any Series 2016 Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Series 2016

Bond selected for redemption in whole or in part as provided in the Trust Agreement or during the period established by the Trustee for selection of Series 2016 Bonds for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS

Pledge of Revenues

The Series 2016 Bonds are secured on a parity with the outstanding Series 2015 Bonds and any Additional Bonds which may be issued under the terms of the Trust Agreement (the Series 2016 Bonds, the Series 2015 Bonds and any Additional Bonds, collectively, the "Bonds"). The Bonds are equally and ratably payable from and secured by the Revenues, which consist of: (i) the Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Facilities Sublease (but not including Additional Payments as described below); and (ii) all interest or other income from any investment of any money in any fund or account established pursuant to the Trust Agreement or the Facilities Sublease.

Base Rental Payments will be paid by the City from any and all legally available funds. See the captions "THE CITY," "CITY FINANCIAL INFORMATION" and "RISK FACTORS." The City has covenanted in the Facilities Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due thereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments, subject to abatement as described in this Official Statement.

Revenues of the Electric Utility are not pledged as security for the Bonds. However, net revenues of the Electric Utility (revenues remaining after payment of operation and maintenance costs thereof and debt service obligations with respect thereto) are available to pay Base Rental Payments, and the City currently expects to pay all or a portion of Base Rental Payments from such net revenues of the Electric Utility. Notwithstanding the foregoing, the City makes no assurances regarding the amount of net revenues of the Electric Utility or the availability of net revenues of the Electric Utility to pay Base Rental Payments.

The Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the Series 2016 Bonds and the Series 2015 Bonds. See the caption "— Additional Bonds."

All Revenues, any other amounts (including proceeds of the sale of the Series 2016 Bonds) held by the Trustee in any fund or account established under the Trust Agreement and any other amounts (excluding Additional Payments) received by the Authority in respect of the Property have been irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Trust Agreement, and the Revenues and other amounts pledged thereunder may not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted thereunder. Such pledges constitutes a pledge of and charge and first lien upon the Revenues, all other amounts pledged under the Trust Agreement and all other moneys on deposit in the funds and accounts established thereunder for the payment of the interest on and principal of the Bonds in accordance with the terms thereof.

Pursuant to the Trust Agreement, the Authority has assigned its right, title and interest in the Base Rental Payments and its right to enforce remedies under the Facilities Sublease to the Trustee as security for the payment of the Bonds. The City will pay Base Rental Payments directly to the Trustee, as assignee of the Authority. See the caption "— Base Rental Payments" below.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE, AS TO INTEREST THEREON, PRINCIPAL THEREOF AND ANY PREMIUMS UPON THE REDEMPTION OF ANY THEREOF, SOLELY FROM THE REVENUES DESCRIBED HEREIN, AND THE AUTHORITY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM THE REVENUES. ALL OF THE BONDS ARE EQUALLY SECURED BY A PLEDGE OF AND CHARGE AND LIEN UPON THE REVENUES, AND

THE REVENUES CONSTITUTE A TRUST FUND FOR THE SECURITY AND PAYMENT OF THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2016 BONDS AS PROVIDED HEREIN.

THE BONDS ARE NOT A DEBT OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE SERIES 2016 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS DESCRIBED HEREIN. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

Base Rental Payments

Base Rental Payments, will be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Payment Period for which such Base Rental Payments are to be paid. The Base Rental Payments are due and payable on October 25 and April 25 in the amounts set forth in the Facilities Sublease and are for the use and occupancy of the Property during the one-year period ending on the 1st day of each November. All Base Rental Payments received by the Trustee will be deposited by the Trustee in the Revenue Fund established under the Trust Agreement.

Pursuant to the Trust Agreement, all money in the Revenue Fund will be set aside by the Trustee in the following respective special accounts or funds within the Revenue Fund (each of which has been created and each of which the Authority has covenanted and agreed to cause to be maintained) in the following order of priority: (1) Interest Account; and (2) Principal Account.

All money in each of such accounts will be held in trust by the Trustee and will be applied, used and withdrawn only for the purposes authorized in the Trust Agreement. On each Principal Payment Date, following payment of principal of and interest on the Bonds, any excess amount on deposit in the Revenue Fund will be returned to the City as an excess of Base Rental Payments.

Interest Account. On or before each Interest Payment Date, the Trustee will set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date. No deposit need be made in the Interest Account if the amount contained therein and available to pay interest on the Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. On or before each November 1, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such November 1, into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such November 1. No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Bonds is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such November 1 plus the aggregate amount of all sinking fund payments required to be made on such November 1 for all Outstanding Term Bonds. All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it becomes due and payable, whether at maturity or redemption, except that any money in any Sinking Account created under the Trust Agreement will be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created.

Scheduled Base Rental Payments relating to the Series 2016 Bonds and outstanding Series 2015 Bonds are set forth below under the caption "BASE RENTAL PAYMENT SCHEDULE."

Additional Payments

For the right to use and occupy the Property, the Facilities Sublease requires the City to pay, as Additional Payments thereunder, in addition to the Base Rental Payments, such amounts as are required for the payment all amounts, costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Facilities Sublease or any assignment thereof, the Trust Agreement, the Authority's interest in the Property and the lease of the Property to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Bonds, the Property, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification payable by the Authority to the Trustee under the Trust Agreement, other amounts due and owing Assured Guaranty Municipal Corp., the insurer of the 2015 Bonds (the "2015 Insurer"), and [INSURER], as set forth in the Facilities Sublease, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Trust Agreement; but not including in such Additional Payments amounts required to pay the principal of or interest on the Series 2016 Bonds.

Such Additional Payments will be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been paid by the Authority or by the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then payable by the Authority or the Trustee for such items. Amounts so billed will be paid by the City within 60 days after receipt of the bill by the City. The City reserves the right to audit billings for Additional Payments although exercise of such right will in no way affect the duty of the City to make full and timely payment for all Additional Payments.

The Authority may in the future issue bonds to finance facilities, and may in the future enter into leases with respect to other facilities. The administrative costs of the Authority will be allocated among such other facilities and the Property as provided below. The fees of the Trustee under the Trust Agreement, and any other expenses directly attributable to the Property will be included in the Additional Payments payable under the Facilities Sublease. The fees of any trustee or paying agent under any indenture securing bonds of the Authority or any trust agreement other than the Trust Agreement, and any other expenses directly attributable to any facilities other than the Property, will not be included in the administrative costs of the Property, and will not be paid from the Additional Payments payable under the Facilities Sublease. Any expenses of the Authority not directly attributable to any particular project of the Authority will be equitably allocated among all such projects, including the Property in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Authority to consider the question and render an opinion thereon, will be a final and conclusive determination as to such allocation. The Trustee may conclusively rely upon the Written Request of the Authority, with the approval of the Mayor, Vice-Mayor, City Manager or Finance Director of the City or any such officer's duly authorized designee, or a duly authorized representative of the City, endorsed thereon, in making any determination that costs relating to the Authority are payable as Additional Payments under the Facilities Sublease, and is not required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Property.

Abatement

The Base Rental Payments and Additional Payments will be abated proportionately, during any period in which by reason of any material damage or destruction (other than by condemnation, which is provided for in the Facilities Sublease) there is substantial interference with the use and occupancy of the Property by the City, in the proportion in which the cost of that portion of the Property rendered unusable bears to the cost of the whole of the Property. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facilities Sublease will continue in full force and effect and the City waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and of Title 11 of the United States Code, Section 365(h) and any and all other rights to terminate the Facilities Sublease by virtue of any such damage or destruction or interference.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental Payments and Additional Payments in any of the funds and accounts established under the Trust Agreement (including as a result of the availability of insurance proceeds), such Base Rental Payments and Additional Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts. See the caption "— Insurance" and Appendix A.

Substitution, Addition and Removal of Property

The City and the Authority may add, substitute or release real property for all or part of, or may release a part of, the Property for purposes of the Facilities Lease and the Facilities Sublease, but only with the consent of the 2015 Insurer and [INSURER] and after the City has filed with the Authority and the Trustee, with copies to each rating agency then providing a rating for the Bonds, all of the following:

(i) Executed copies of the Facilities Lease and the Facilities Sublease or amendments thereto containing the amended description of the Property, including the legal description of any real property component of the Property as modified, if necessary.

(ii) A Written Certificate of the City, certifying that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of such facility to the City) of the Property that will constitute the Property after such addition, substitution or withdrawal will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current Fiscal Year or in any subsequent Fiscal Year. At the sole discretion of the City, in the alternative, in the event of a substitution only, the Written Certificate of the City will certify that the annual fair rental value of the new Property is at least equal to that of the substituted Property.

(iii) With respect to an addition or substitution of property, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies resulting in title insurance with respect to the Property after such addition or substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, will name the Trustee as the insured, and insure the leasehold estate of the Authority in such property subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such property and as will not result in an abatement of Base Rental Payments payable by the City under the Facilities Sublease.

(iv) A Written Certificate of the City stating that such addition, substitution or withdrawal, as applicable, does not adversely affect the City's use and occupancy of the Property.

(v) With respect to the substitution of property, a Written Certificate of the City stating that the useful life of the property to be substituted is at least equal to the useful life of the property being released.

(vi) An opinion of Bond Counsel stating that any amendment executed in connection with such addition, substitution or withdrawal, as the case may be: (i) is authorized or permitted under the Facilities Sublease; (ii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City; and (iii) will not cause the interest on any tax-exempt Bonds to be included in gross income for federal income tax purposes.

The City and the Authority have agreed that the Property or portion thereof for which other real property is substituted, pursuant to the Facilities Sublease, will be released from the Facilities Lease and the Facilities Sublease, and will no longer be encumbered thereby and hereby or by the Trust Agreement at such time as the City has caused said substitution.

Any sale, substitution, release, transfer, lease, assignment, mortgage or encumbrance with respect to the Property under the Facilities Sublease or Facilities Lease will be subject to the prior written consent of the 2015 Insurer and [INSURER].

Additional Bonds

Conditions for the Issuance of Additional Bonds. The Authority may at any time, issue Additional Bonds pursuant to a Supplemental Trust Agreement, payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues as provided therein equal to the pledge, charge and lien securing the Outstanding Series 2016 Bonds and Series 2015 Bonds theretofore issued thereunder, but only subject to the following specific conditions, which have been made conditions precedent to the issuance of any such Additional Bonds:

(a) The Authority is in compliance with all agreements and covenants contained in the Trust Agreement and no Event of Default has occurred and is continuing.

(b) The Supplemental Trust Agreement requires that the proceeds of the sale of such Additional Bonds will be applied to finance or refinance Projects, or for the refunding or repayment of any Bonds then Outstanding, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds. The Supplemental Trust Agreement may also provide that a portion of such proceeds be applied to the payment of the interest due or to become due on said Additional Bonds.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding under the Trust Agreement does not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement.

(d) The Facilities Sublease has been amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year at least equal Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year, and if Base Rental Payments are being increased, a Certificate of the City will be delivered to the Trustee certifying that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of any facility which is or will become part of the Property) will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year.

(e) If additional facilities, if any, are to be leased and are not situated on property described in the Facilities Lease and Facilities Sublease: (1) the Facilities Lease has been amended so as to lease to the Authority such additional real property; and (2) the Facilities Sublease has been amended so as to lease to the City such additional real property.

(f) The Reserve Fund is fully funded at the Reserve Fund Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the 2015 Insurer and [INSURER].

Proceedings for Authorization of Additional Bonds. Whenever the Authority and the City determine to execute and deliver any Additional Bonds pursuant to the Trust Agreement, the Authority and the Trustee will enter into a Supplemental Trust Agreement providing for the issuance of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

The Supplemental Trust Agreement will prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Trust Agreement, will provide for the distinctive designation, denominations, method of numbering, dates, payment dates, interest rates, interest payment dates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds are issued, the City and the Authority will file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel setting forth that: (1) such Counsel has examined the Supplemental Trust Agreement and the amendment to the Facilities Sublease and Facilities Lease required by the Trust Agreement; (2) the execution and delivery of the Additional Bonds have been duly authorized by the City and the Authority; and (3) said amendment to the Facilities Sublease and Facilities Lease, when duly executed by the City and the Authority, will be valid and binding obligations of the City and the Authority.

(b) A Certificate of the Authority stating that the requirements of the Trust Agreement have been met.

(c) A Certificate of the City stating that the insurance required by the Facilities Sublease is in effect.

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's receipt of Certificates of the City and of the Authority stating that all applicable provisions of the Trust Agreement have been complied with (so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Trust Agreement then delivered to the Trustee), the Trustee will authenticate and deliver said Additional Bonds in the aggregate principal amount specified in such Supplemental Trust Agreement to, or upon the Written Request of, the Authority.

The City has no current plans to issue Additional Bonds under the Trust Agreement. See the caption "RISK FACTORS — Substitution, Addition and Removal of Property; Additional Bonds."

Action on Default

Should the City default under the Facilities Sublease, the Trustee, as assignee of the Authority thereunder, may terminate the Facilities Sublease and recover certain damages from the City, or may retain the Facilities Sublease and hold the City liable for all Base Rental Payments thereunder on an annual basis, and the Trustee has the right to re-enter and re-let the Property. In the event that such re-letting occurs, the City would be liable for any resulting deficiency in Base Rental Payments. Base Rental Payments may <u>not</u> be accelerated upon a default under the Facilities Sublease. See the caption "RISK FACTORS — Limited Recourse on Default; No Acceleration of Base Rental."

For purposes of certain actions of Bond Owners under the Trust Agreement and the Facilities Sublease, such as certain consents and amendments and the direction of remedies following default, Series 2016 Bond Owners and Series 2015 Bond Owners do not act alone and may not control such matters to the extent that such matters are not supported by the requisite number of the Owners of all Series 2016 Bonds, Series 2015 Bonds and Additional Bonds, if any.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Facilities Sublease and the Trust Agreement, see Appendix A.

Subject to the terms of the Trust Agreement, so long as the 2015 Insurer has not defaulted under the Policy, the 2015 Insurer has the right to control all remedies for default under the Facilities Lease, the Facilities Sublease and the Trust Agreement.

Reserve Fund

Reserve Fund. The Trustee maintains a separate fund to be known as the "Reserve Fund." Moneys in the Reserve Fund will be used and withdrawn by the Trustee solely for the purposes set forth in the Trust Agreement. In connection with the issuance of the Series 2015 Bonds, the 2015 Insurer issued a Reserve Policy (the "2015 Reserve Policy") for the benefit of the Series 2015 Bonds in the initial principal amount of $661,081.26, which constituted the Reserve Fund Requirement with respect to the Series 2015 Bonds, which is on deposit in the Reserve Fund. Additionally, there will be deposited in the Reserve Fund the Reserve Policy pursuant to the Trust Agreement for the benefit of the Series 2016 Bonds. The City, upon notice to the rating agencies then rating the Series 2016 Bonds, reserves the right to substitute, at any time and from time to time, one or more Reserve Facilities from a financial institution, the long-term unsecured obligations of which are rated in the two highest rating categories of the rating agency in substitution for or in place of all or any portion of the Reserve Policy or the moneys, if any, on deposit in the Reserve Fund, which satisfy the Reserve Fund Requirement (as such term is defined below), under the terms of which the Trustee is unconditionally entitled to draw amounts when required for the purposes of the Trust Agreement. Upon deposit by the City with the Trustee of any such Reserve Facility(ies), the Trustee will, on or after the date of such deposit, transfer to the City such amounts as are on deposit in the Reserve Fund in excess of the Reserve Fund Requirement after application of the Reserve Facility(ies) thereto. The City will, subject to any investment instructions contained in the Tax Certificate and Agreement, if any, use any such amounts transferred from the Reserve Fund for any lawful purpose of the City which will not adversely affect any current or past exclusion from gross income for federal income tax purposes of the interest on the Bonds, if and to the extent such interest is currently or has in the past been so excluded. Any amounts paid pursuant to any Reserve Facility will be deposited in the Reserve Fund. The moneys in the Reserve Fund and any Reserve Facility shall be held in trust by the Trustee and shall be used and disbursed only for the purposes and uses herein authorized.

The term "Reserve Fund Requirement" means, with respect to the Bonds, an amount equal to an amount equal to the least of: (i) maximum prospective annual Base Rental Payments with respect to Outstanding Bonds to be made by the City under the Facilities Sublease; (ii) 10% of the proceeds of the Bonds; or (iii) 125% of the average annual Base Rental Payments with respect to Outstanding Bonds to be made by the City under the Facilities Sublease.

Application of Reserve Fund. Amounts on deposit in the Reserve Fund which were not derived from payments under any Reserve Facility credited to the Reserve Fund to satisfy a portion of the Reserve Fund Requirement may be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under any such Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under any such Reserve Facility, the Trustee will, as and to the extent necessary, liquidate any investments purchased with such amounts. If and to the extent that, more than one Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Fund Requirement, drawings thereunder, and repayment of expenses with respect thereto, will be made on a pro-rata basis (calculated by reference to the policy limits available thereunder).

If, on any Interest Payment Date, the amount on deposit in any account within the Interest Account is insufficient to pay the interest due with respect to the corresponding Series of Bonds on such Interest Payment Date, the Trustee will transfer from the corresponding account within the Reserve Fund and deposit in such account within the Interest Account an amount sufficient to make up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Fund Requirement, the Trustee will make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Interest Account.

If, on any Principal Payment Date or any Mandatory Sinking Account Payment Date, the amount on deposit in any account within the Principal Account is insufficient to pay the principal due with respect to the corresponding Series of Bonds on such Principal Payment Date or Mandatory Sinking Account Payment Date, the Trustee will transfer from the corresponding account within the Reserve Fund and deposit in such account within the Principal Account an amount sufficient to make up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Fund Requirement, the Trustee will make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Principal Account.

In the event of any withdrawal or transfer from the Reserve Fund, the Trustee will, within 5 days thereafter, provide written notice to the City of the amount and the date of such transfer. If there are no amounts currently due under any Reserve Facility and the sum of the amount on deposit in the Reserve Fund, plus the amount available under any Reserve Facilities, is reduced below the Reserve Fund Requirement, the first of Base Rental Payments thereafter received from the City under the Facilities Sublease and not needed to pay the interest and principal of the Bonds on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date will be used, first, to reinstate the amounts available under the Reserve Facilities that have been drawn upon and, second, to increase the amount on deposit in the Reserve Fund, so that the amount available under the Reserve Facilities, when added to the amount on deposit in the Reserve Fund, equals the Reserve Fund Requirement. In the event there are insufficient funds to remedy any deficiencies in all such accounts, moneys shall be deposited pro rata in each such account.

If at any time the balance in any account within the Reserve Fund is in excess of the Reserve Fund Requirement for such fund, the Trustee will transfer such excess to any other account within the Reserve Fund with a balance less than the Reserve Fund Requirement for such fund to make up such deficiency, and thereafter to the Revenue Fund.

At the termination of the Facilities Sublease in accordance with its terms, any balance remaining in the Reserve Fund will be released and may be transferred to such other fund or account of the City, or otherwise used by the City for any other lawful purposes, as the City may direct. For purposes of determining the amount on deposit in the Reserve Fund, all investments will annually be valued at the cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Except as provided in the Trust Agreement from Base Rental Payments not needed to pay the interest and principal of the Bonds, the City has no obligation to replenish the Reserve Fund.

Insurance

The Facilities Sublease requires the City to maintain or cause to be maintained fire, lightning and special extended coverage insurance (which includes coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. As an alternative to providing such insurance or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent that such self-insurance method or plan of protection affords reasonable protection to the Authority, the Bond Holders and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City.

The Facilities Sublease requires the City to maintain rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Property as the result of any of the hazards covered by the insurance described in the preceding paragraph, in an amount sufficient to pay the maximum annual Base Rental Payments for any two year period, except that such insurance may be subject to a deductible clause of not to exceed $25,000. Any proceeds of such insurance will be used by the Trustee to reimburse to the City any rental theretofore paid by the City under the Facilities Sublease attributable to such structure for a period of time during which the payment of rental under the Facilities Sublease is abated, and any proceeds of such insurance not so used will be applied as provided in the Facilities

Sublease (to the extent required for the payment of Base Rental Payments and Additional Payments). See the caption "— Abatement." The City does not maintain earthquake insurance.

The Facilities Sublease requires the City to maintain or cause to be maintained, throughout the term thereof, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees and the Trustee, with minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of $200,000 for damage to property resulting from each accident or event, and worker's compensation insurance.

See the summary of the Facilities Sublease set forth in Appendix A for further information with respect to the insurance coverage required to be maintained by the City under the Facilities Sublease.

A description of insurance coverages maintained by the City is set forth under the caption "THE CITY — Risk Management."

The Facilities Sublease also requires the City to provide, at its own expense, an ALTA leasehold owner's title insurance policy or policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Bonds. Such insurance instrument, when issued, will name the Trustee as the insured, and will insure the leasehold estate of the Authority subject only to such exceptions as do not substantially interfere with the City's right to use and occupy the Property and as will not result in an abatement of Base Rental Payments payable by the City under the Facilities Sublease.

BOND INSURANCE

The information under this caption has been prepared by __________ for inclusion in this Official Statement. None of the Authority, the City or the Underwriter has reviewed this information, nor do the Authority, the City or the Underwriter make any representation with respect to the accuracy or completeness thereof. The following information is not a complete summary of the terms of the Policy (as such term is defined below) and reference is made to Appendix G for a specimen of the Policy.

[**TO COME**]

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series 2016 Bonds, together with funds held with respect to the Refunded Bonds, are shown below.

Sources	
Principal Amount of Series 2016 Bonds	$
Funds Held With Respect to Refunded Bonds	
[Less Original Issue Discount] [Plus Original Issue Premium]	____________
Total Sources	$____________
Uses	
Escrow Account	$
Costs of Issuance Fund(1)	
Capitalized Interest Fund(2)	____________
Total Uses	$____________

____

(1) Includes certain fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, S&P and the Trustee, Underwriter's discount, premium for the Policy and the Reserve Policy, printing costs and other miscellaneous costs of issuance.

(2) Represents a portion of interest due on the Series 2016 Bonds capitalized through __________, 2017.

BASE RENTAL PAYMENT SCHEDULE

The annual schedule of Base Rental Payments due with respect to the Series 2016 Bonds and the Series 2015 Bonds is set forth below.

Period Ending November 1	***Series 2016 Bonds Principal***	***Series 2016 Bonds Interest***	***Series 2016 Bonds Total Debt Service***	***Series 2015 Bonds Total Debt Service***	***Total Base Rental Payments***[(1)]
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					
2041					
2042					
2043					
2044					
2045					
Total	$	$	$	$	$

(1) Equal to the Series 2016 Bonds Total Debt Service column plus the Series 2015 Bonds Total Debt Service column.
Source: Underwriter.

THE REFUNDING PLAN

General

Pursuant to the Trust Agreement, the Authority will deliver a portion of the proceeds of the Series 2016 Bonds, together with funds held with respect to the Refunded Bonds, to the Trustee for deposit in the Escrow Account established pursuant to the Trust Agreement (the “Escrow Account”). The Authority shall provide the Trustee irrevocable refunding instructions (the “2016 Irrevocable Refunding Instructions”) to cause the moneys held in the Escrow Account (the “Escrow Deposit”) to be held uninvested or invested in non-callable federal securities and used to (i) make the payments of principal and interest due on the Refunded Bonds through and including May 1, 2017 (the “Redemption Date”), and (ii) redeem the then outstanding Refunded Bonds on May 1, 2017 at a redemption price equal to the principal amount of the Refunded Bonds being redeemed, together with accrued interest to the Redemption Date, without premium. Amounts in the Escrow Account will be irrevocably pledged pursuant to the 2016 Irrevocable Refunding Instructions to secure, when due, the payment of the principal of, and the interest and premium due on, the Refunded Bonds, and will not be available for payment on the Bonds.

A list of the Refunded Bonds to be paid or redeemed on the Redemption Date is set forth below:

REFUNDED BONDS

Maturities to be Refunded/Paid (May 1)	***CUSIP*** [†]	***Principal Amount to be Refunded/Paid on the Redemption Date***	***Redemption Date***	***Redemption Price (% of Par Amount)***
2017	61685P BZ0	$ 550,000	May 1, 2017	100%
2027	61685P CA4	$ 7,435,000	May 1, 2017	100%
2038	61685P CB2	$ 14,615,000	May 1, 2017	100%

Verification

Upon issuance of the Series 2016 Bonds, Grant Thornton LLP will provide escrow verification services, as verification agent, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of amounts in the Escrow Account to pay when due all debt service on the Refunded Bonds on and prior to the Redemption Date and to pay the redemption price of the Refunded Bonds on the Redemption Date.

THE PROPERTY

The Property constitutes the subject matter of the Facilities Lease and the Facilities Sublease. In connection with the issuance of the Series 2016 Bonds, pursuant to the First Amendment to the 2015 Master Facilities Lease, the City will lease certain property (the "Substations") to the Authority, and pursuant to the First Amendment to the 2015 Master Facilities Sublease, the Authority will sublease the Substations back to the City.

The Substations consist of two electric power substations: (i) the Moreno Beach Substation and (ii) the Kitching Substation, each of which is described below.

The Moreno Beach Substation is a City-owned 115 kilovolt ("kV") to 12kV Distribution Class power substation located on an approximately 8.75 acre parcel at the southwest corner of Moreno Beach Drive and Cottonwood Avenue in the City. The Moreno Beach Substation includes equipment foundations, transformers, capacitors, switchgear, electric bus, a relay control house, cable, wire, appurtenances and other related facilities (the "Moreno Beach Substation Improvements").

A 115kV to 12kV Transmission Class switchyard (the "Moreno Beach Switchyard"), which has been dedicated to Southern California Edison ("SCE"), is also on the site. The Moreno Beach Switchyard is located adjacent to the Moreno Beach Substation. Moreno Beach Switchyard improvements include equipment foundations, switchgear, electrical bus, relay control house, cable, wire, appurtenances and other related facilities associated with physical connection to SCE's 115kV distribution system. The Moreno Beach Switchyard improvements do not constitute part of the Substations.

The Moreno Beach Substation was completed in 2007. The City estimates the total cost of the Moreno Beach Substation Improvements (excluding the Moreno Beach Switchyard and other improvements owned or dedicated to SCE) to be approximately $10,817,611. The City estimates the Moreno Beach Substation Improvements have a useful remaining life of approximately 30 years.

The Kitching Substation is a City-owned 115kV to 12kV Distribution Class power substation currently under construction and located on an approximately 1.87 acre parcel at the northwest corner of Kitching Drive and Edwin Road in the City. When completed, the Kitching Substation will include equipment foundations, transformers, capacitors, switchgear, electric bus, a relay control house, cable, wire, appurtenances and other related facilities (the "Kitching Substation Improvements").

The Kitching Substation Improvements include: (i) approximately 40,000 lineal feet of conduit, (ii) approximately 40,000 lineal feet of high voltage cable, (iii) two 40 Megavolt Amp transformers, (iv) five 115 kV group operated disconnect switches, (v) two twelve kV MVar capacitor banks, (vi) one switchgear assembly and (vii) other miscellaneous structures.

There is a 115kV to 12kV Transmission Class switchyard (the "Kitching Switchyard") under construction, which, when completed, is expected to be dedicated to SCE. The Kitching Switchyard is located adjacent to the Kitching Substation. Kitching Switchyard improvements include equipment foundations, switchgear, electrical bus, relay control house, cable, wire, appurtenances and other related facilities associated with a physical connection to SCE's 115kV distribution system. The Kitching Switchyard improvements do not constitute part of the Substations.

The City estimates the total cost of the Kitching Substation Improvements (excluding the Kitching Switchyard and other improvements owned or dedicated to SCE) to be approximately $10,965,000. The Kitching Substation is expected to be completed in or about May 2017. Upon completion, the City estimates the Kitching Substation Improvements will have a useful remaining life of approximately 40 years. The portion of the Base Rental Payments attributable to the Kitching Substation Improvements is capitalized through _________ 1, 20__.

In addition, the City's Conference and Recreation Center (together with the Substations, the "Property"), which has been leased to the Authority pursuant to the Facilities Lease and subleased by the Authority back to the City pursuant to the Facilities Sublease, will constitute a portion of the leased Property. The Conference and Recreation Center also secures the Series 2015 Bonds.

The Conference and Recreation Center, which is located on Alessandro Boulevard, is an approximately 42,413 square foot municipal conference and banquet facility operated by the City. The Conference and Recreation Center includes an 8,200 square foot ballroom, the Grand Valley Ballroom. The Grand Valley Ballroom can accommodate groups of up to 400 people and includes a full kitchen, a reception patio, an outdoor banquet patio, a stage with two dressing rooms and a video and movie screen. Other facilities at the Conference and Recreation Center include two smaller meeting rooms. The Conference and Recreation Center hosts private events, community programs and public meetings. The facility also includes space for a childcare/daycare area, a gymnasium, two activity rooms and the office space for the City's Parks and Community Services Department staff. The Conference and Recreation Center was constructed in 2005 and comprises approximately 18.64 acres. For purposes of the Facilities Sublease, the City has ascribed a value of approximately $13,874,000 to the Conference and Recreation Center.

The City's Parks and Community Services Department operates five facilities located at the various parks throughout the City, including Bethune Park, Woodland Park, the Conference and Recreation Center, a senior center, and two community centers, which facilities provide 79 youth programs, 88 senior programs and 31 adult programs serving an estimated 417,180 City youths and adults annually for baseball, softball, and soccer play. The Parks and Community Services Department also hosts activities for 38 school sites and assists the City's nonprofit sports organizations in hosting regional and national sports tournaments, resulting in a positive economic impact to City businesses. The value that the City's parks and recreation facilities bring to the local community has been repeatedly recognized. The Press-Enterprise newspaper previously rated the

City "Number One in Riverside County for Family Recreation." The City was the recipient of the 2005 California Parks and Recreation Society Award for "Facility Design and Park Planning" for the Conference and Recreation Center, and in 1997 the City earned the Southern California Municipal Athletic Federation's "Gold Shield Award" for providing outstanding leadership. The City remains committed to sustained community participation and use of facilities throughout the City's park system.

In connection with the issuance of the Series 2016 Bonds, the City will certify that the annual fair rental value of the Property is at least equal to the annual Base Rental Payments. The City makes no assurances regarding the ability to relet any component of the Property or the amount of rental income to be received in the event that any component of the Property is relet.

Base Rental Payments under the Facilities Sublease secure on a parity the Series 2016 Bonds, Series 2015 Bonds and any Additional Bonds issued pursuant to the Trust Agreement, if any. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS — Base Rental Payments."

The table below summarizes certain attributes of the Property. No portion of the Property is currently encumbered by debt obligations other than the Series 2016 Bonds and the Series 2015 Bonds.

CITY OF MORENO VALLEY
DESCRIPTION OF PROPERTY

Property	***Description***	***Land Area***[(1)]	***Building Size***[(1)]	***Location***	***Asset Value***[(1)(2)]
Moreno Beach Substation	115kV to 12kV Distribution Class power substation and all related City-owned improvements	8.75 acres	N/A	Moreno Beach Drive and Cottonwood Avenue	$10,817,611
Kitching Substation	115kV to 12kV Distribution Class power substation and all related City-owned improvements	1.87 acres	N/A	Kitching Drive and Edwin Road	$10,965,000
Conference and Recreation Center	Municipal conference and banquet facility; includes 8,200 square foot ballroom with full kitchen, reception patio, outdoor banquet patio, stage with two dressing rooms and video and movie screen; meeting rooms; office space for City's Parks and Recreation Department	18.64 acres	42,413 square feet	Alessandro Boulevard	$13,874,000
Total					**$__________**

(1) Figures are approximate.
(2) Such amount is greater than the principal amount of the Series 2016 Bonds and the outstanding Series 2015 Bonds.

The estimated value of the Property set forth above is based upon existing conditions and reflects the opinion of the party providing the estimate only. In connection with the issuance of the Series 2016 Bonds, the City will certify that the annual fair rental value of the Property is at least equal to the annual Base Rental Payments.

The City has the right to substitute or release all or a portion of the Property subject to certain conditions precedent. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS—Substitution, Addition and Removal of Property."

THE AUTHORITY

The Authority is a public body duly organized and existing under the Joint Exercise of Powers Agreement, dated as of October 28, 1997 (the "JPA Agreement"), by and between the City and the Community Redevelopment Agency of the City of Moreno Valley (the "Agency"), and under the Constitution and laws of the State. The Authority was formed for the purpose of assisting the City in the financing and refinancing of public capital improvements by exercising the powers referred to in the JPA Agreement, including the power to issue bonds to pay the costs of public improvements. Neither the City nor the Agency is responsible for repayment of the obligations of the other. The members of the Board of Directors of the Authority are the members of the City Council of the City. The Authority has no employees and all staff work is done by City staff or by consultants to the Authority. The Authority has acted as a conduit issuer for the City for a variety of financings.

THE CITY

General

The City is located in western Riverside County (the "County"), approximately 66 miles east of Los Angeles and 100 miles north of San Diego, California. The City has a population of approximately 205,383 as of January 1, 2016 and covers approximately 51.5 square miles. The City was incorporated on December 3, 1984 and is a general law city operating under a council/manager form of government. Further information concerning the City is set forth below and in Appendix F.

The City had approximately ___ full and part-time employees as of June 30, 2016. City employees are represented by two labor unions and associations, the Moreno Valley City Employees Association (the "MVCEA"), which represents approximately ___ employees as of June 30, 2016, and the Moreno Valley Management Association (the "MVMA"), which represents approximately __ employees as of June 30, 2016. Relations between the City and the MVCEA and MVMA are governed by memoranda of understanding that expire on June 30, 2017. The City currently expects to commence negotiations with the MVCEA and MVMA with respect to new memoranda of understanding in or about January 2017. A total of approximately__ management and confidential employees are exempt from collective bargaining. Salaries for exempt employees are set by the City Council. The City has never experienced a strike, slowdown or work stoppage.

The City provides or contracts for many municipal services for its residents, including libraries, parks, recreation, street and storm drain maintenance and electric utility services. The City contracts with the Riverside County Sheriff's Department for police services and with the County for fire protection services, which services are provided by the California Department of Forestry and Fire Protection. See the caption "THE PROPERTY" for detailed information with respect to City parks and the City's Parks and Community Services Department.

Largest Employers

The largest employer located in the City is the March Air Reserve Base, which currently employs approximately 8,500 employees, representing approximately 9.3% of the total City employment. March Air Reserve Base is the home to the Air Force Reserve Command's 4th Air Force Headquarters and the 452nd Air Mobility Wing, the largest air mobility wing of the 4th Air Force. In addition to multiple units of the Air Force Reserve Command, the base supports the Air Mobility Command, Air Combat Command and Pacific Air Forces, and is home to units from the Army Reserve, Navy Reserve, Marine Corps Reserve, and the California Air National Guard.

Other large employers in the City include the Moreno Valley Unified School District, which currently employs approximately 3,565 employees, and the Riverside County Regional Medical Center, which currently employs approximately 3,000 employees. Based on its close proximity to the counties of Los Angeles, Orange and San Diego, the City serves as a regional logistics and major distribution hub for many large manufacturers and retail companies, including Skechers USA, Inc., Walgreen Company, Ross Dress for Less, Inc. and Harbor Freight Tools. Several large companies await completion of or have recently completed construction on distribution sites and fulfillment centers within the City limits, including e-retailer Amazon (NASDAQ symbol: AMZN), Deckers Outdoor Corporation (NASDAQ symbol: DECK), which designs, manufactures and markets Teva, UGG Australia, and other footwear brands, Procter & Gamble (NYSE symbol: PG), which manufactures and markets 23 brands of home and personal care products, including Tide detergent, Gillette shaving products, and Crest dental products, and Aldi, Inc., a European discount grocery retailer chain that has over 8,000 stores worldwide (including over 1,000 stores in the United States).

The table below sets forth the largest employers within the City as of June 30, 2015. [UPDATE?]

CITY OF MORENO VALLEY
LARGEST EMPLOYERS AS OF JUNE 30, 2015

Rank	*Name of Business*	*Employees*	*Type of Business*
1.	March Air Reserve Base	8,500	Military Reserve Base
2.	Amazon.com Inc.	7,500	Retail Distribution
3.	Moreno Valley Unified School District	3,565	Public Schools
4.	Riverside County Regional Medical Center	3,000	County Hospital
5.	Ross Dress for Less/DD’s Discounts	1,921	Retail Distribution
6.	Moreno Valley Mall	1,390	Retail Mall
7.	Procter & Gamble Co.	987	Retail Distribution
8.	Harbor Freight Tools	800	Retail Distribution
9.	Kaiser Permanente Community Hospital	772	Hospital
10.	iHerb, Inc.	750	Natural Supplements Distribution

Source: City.

Government and Administration

The City operates under a council-manager form of government. The City Manager, appointed by the City Council, serves as the City’s chief administrative officer and is responsible for overseeing the daily operations of City departments and efficient management of all City business. Functions of the City Manager’s Office include coordination of the implementation of City Council policies and programs; providing overall direction to the departments that administer City programs and services; coordinating intergovernmental relations and legislative advocacy; and administration of the City's communications, media relations, and public information programs.

Michelle Dawson is the City Manager. Ms. Dawson was appointed City Manager in May 2013. Ms. Dawson is responsible for the administration of all municipal affairs, including implementation of City Council policy, State laws and City ordinances. Ms. Dawson has over 23 years of local government experience. She has worked at the City for over 14 years in a variety of leadership positions, including Assistant City Manager, Assistant to the City Manager and Senior Management Analyst in the Public Works Department, Animal Services Division and City Manager’s Office. Ms. Dawson obtained her master’s degree in public administration and bachelor’s degree from California State University, San Bernardino.

Other key personnel responsible for management of the City include the Chief Financial Officer, the Treasury Operations Division Manager and the Public Works Director/City Engineer. In addition, the City Attorney provides legal services to the City and the Authority.

Marshall Eyerman is the Chief Financial Officer of the City. Mr. Eyerman began his employment with the City in March 2008 as the City's Special District Program Manager. He also served as the Financial Resources Division Manager, and the Budget Officer before being appointed Chief Financial Officer in January 2016. During his professional tenure, Mr. Eyerman served as Principal Consultant at MuniFinancial for 10 years. Mr. Eyerman holds a Master's Degree in business administration MBA, Business Administration from California State University-San Marcos - College of Business Administration.

Brooke McKinney is the Treasury Operations Division Manager of the City. Mr. McKinney was appointed Treasury Operations Division Manager in April 2002. Mr. McKinney has over 30 years of experience in municipal government and has held a variety of management positions in finance and administration of city and county government. Mr. McKinney has worked in a variety of management positions in the City's Finance Department over the past 13 years, including revenue officer, assistant treasurer and treasury operations manager. Prior to his tenure at the City, Mr. McKinney worked for over 17 years as the Hospital Fiscal Officer at the Riverside County Regional Medical Center. Mr. McKinney holds a bachelor's degree in business administration from The Master's College in Santa Clarita, California.

Ahmad R. Ansari is the Public Works Director of the City and City Engineer. Mr. Ansari was appointed Public Works Director and City Engineer in December 2011. Mr. Ansari has over 11 years of executive level experience, including 6 years as Public Works Director for the cities of Rialto and Perris. He also served the cities of Pomona and Burbank as Deputy Public Works Director and Senior Civil Engineer respectively. Mr. Ansari has a bachelor's degree in civil engineering with graduate studies in structural engineering from the University of Southern California. He has been a registered Civil Engineer in the State since 1994.

Martin Koczanowicz is the newly-appointed City Attorney. Mr. Koczanowicz has been an attorney for more than 25 years and has been in private practice specializing in municipal law since 1999. He has worked as a city attorney on a contract basis for the cities of Tulare, King City and Grover Beach and was a deputy city attorney for the City of Fresno in the 1990's. Before that, he worked in criminal and civil defense for private companies. He graduated with a juris doctorate from the University of La Verne School of Law.

Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City has established two self-insurance funds to finance uninsured risks of loss up to a maximum of $300,000 for each workers' compensation claim and $250,000 for each general liability claim. For workers' compensation, the City participates in the CSAC Excess Insurance Authority, a joint powers authority, for claims in excess of coverage provided by its internal funds up to the statutory requirements. For general liability, the City participates in the Public Entity Risk Management Authority ("PERMA"), a joint powers authority, for claims in excess of coverage provided by its internal funds up to $50,000,000. Claims have not exceeded the City's insurance coverage in any of the last three years.

The City purchases all-risk, replacement cost value property insurance coverage through PERMA up to a maximum amount of $100,000,000. All property and improvements at the Property are insured under the City's property insurance coverage. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS — Insurance." The City does not carry earthquake coverage.

CITY FINANCIAL INFORMATION

Accounting and Financial Reporting

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles and the standards established by the Governmental Accounting Standards Board ("GASB"). On a quarterly basis, a report is prepared for the City Council and City staff which reviews fiscal performance to date against the budget. Combined financial statements of the City and its component units are produced following the close of each Fiscal Year.

The City Council employs an independent certified public accountant who examines at least annually the financial statements of the City in accordance with generally accepted auditing standards, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable, after the end of the Fiscal Year, a final audit and report is submitted by the independent accountant to the City Council.

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

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It is expected that the Base Rental Payments will be paid for from amounts in the General Fund. Tables 1 through 4 below set forth certain historical and current Fiscal Year budget information for the General Fund. Information on the remaining governmental funds of the City as of June 30, 2015 is set forth in Appendix B.

General Economic Condition and Outlook of the City

As of June 30, 2015, the General Fund had a year-end surplus (revenues in excess of expenditures) of $2.8 million, exceeding the anticipated year-end surplus of $1.0 million. The additional $1.8 million surplus was primarily due to actual revenues exceeding budgeted revenues by $0.5 million, along with expenditure and transfer savings of $1.3 million.

For Fiscal Year 2017, the adopted General Fund operating budget projects revenues of $92,881,528, which is approximately $8.7 million (10.4%) above Fiscal Year 2015 actual revenues. However, the adopted Fiscal Year 2017 General Fund operating budget projects expenditures of $91,165,357, an increase of approximately $14.2 million (18.4%) over Fiscal Year 2015 actual expenditures. The City projects that sales taxes and utility users taxes will continue to grow in Fiscal Year 2017, increasing by approximately __% and __%, respectively, over the Fiscal Year 2015 actual amount.

See the caption "— Budget Procedure, Current Budget and Historical Budget Information" for additional information relating to the adopted budget for Fiscal Year 2017.

Budget Procedure, Current Budget and Historical Budget Information

The City currently operates on a two-year operating budget cycle. The current budget was approved on June 23, 2015 and governs the period beginning on July 1, 2015 for Fiscal Years 2016 and 2017. The budget includes all funding sources of the City, including the General Fund, Community Services District and the Successor Agency of the former Redevelopment Agency. At such time as the City Manager determines, each department head must furnish to the City Manager an estimate of revenues and expenditures for the applicable department for the ensuing two Fiscal Years, detailed in such manner as may be prescribed by the

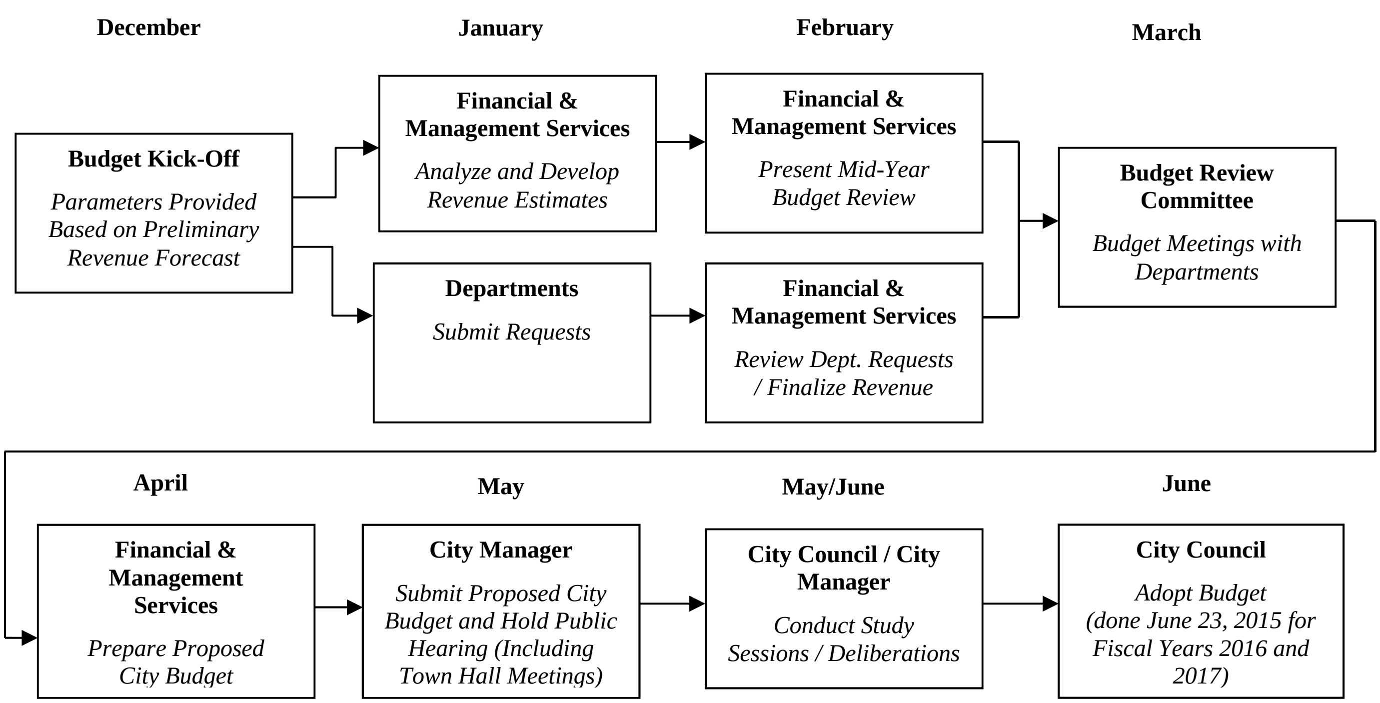
City Manager. In preparing the proposed budget, the City Manager reviews the estimates, holds conferences regarding the estimates with the respective department heads, and revises the estimates as the City Manager deems advisable. In Fiscal Year 2014, the City Council provided direction to create a balanced budget beginning with the Fiscal Year 2014 and 2015 budget cycle and for all future years.

Prior to June 30 of every second Fiscal Year, the City Manager submits to the City Council a proposed budget for the two year period commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Prior to June 30 of the applicable Fiscal Year, public hearings are conducted to obtain public comments and the budget is legally enacted through the passage of a resolution. The budget is subject to amended throughout the two year period to reflect actual financial performance.

From the effective date of the budget, the amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named. The City Manager is authorized to transfer budgeted amounts between line items within a department or activity, and between departments and programs within the same fund, provided that the total appropriation does not exceed the budgeted amount. All other transfers or amendments require City Council approval. The City Manager and affected department heads are mutually responsible for controlling expenditures within budgeted appropriations. All appropriations lapse at the end of the Fiscal Year to the extent that they have not been expended or lawfully encumbered. At a public meeting after the adoption of the budget the City Council may amend or supplement the budget by motion adopted by three affirmative votes of members of the City Council. Following the end of the first Fiscal Year of the two-year budget cycle, the City Manager proposes interim changes, if any, to the City Council in July of such Fiscal Year.

A summary of the actions taken during the year-long budgetary process is set forth below:

CITY OF MORENO VALLEY
BUDGET PROCESS



Source: City.

The City conducts its annual financial audit between August and November each year, and such audit is typically approved by the City Council by December of such year. In recognition of its financial reporting excellence, the Government Finance Officers Association of the United States and Canada has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for 16 consecutive years.

The City Council adopted a balanced budget for Fiscal Years 2016 and 2017 on June 23, 2015. The budget for all funds totaled approximately $183,481,000 for Fiscal Year 2016 and $184,365,000 for Fiscal Year 2017 and the General Fund operating budget totaled approximately $91,885,401 for Fiscal Year 2016 and $95,429,178 for Fiscal Year 2017. The Fiscal Year 2016 and 2017 General Fund operating budgets project an increase in revenues of approximately $6.8 million (8.6%) and $10.3 million (12.2%), respectively, over the Fiscal Year 2015 amended General Fund operating budget. Such increases are derived principally from increases in property tax revenues resulting from increased assessed valuations, increases in sales tax revenues and increased development activity within the City.

[Based on unaudited actual Fiscal Year 2016 results, the City reports that the General Fund is on track to meet budgeted revenues and expenditures for Fiscal Year 2016.] [Confirm]

Set forth in Table 1 are the General Fund budgets for Fiscal Years 2014 through 2017, the audited General Fund results for Fiscal Years 2014 and 2015 and the unaudited General Fund results for Fiscal Year 2016. During the course of each Fiscal Year, the budget is amended and revised as necessary by the City Council.

TABLE 1
CITY OF MORENO VALLEY
GENERAL FUND BUDGETS AND RESULTS

	Adopted Fiscal Year 2014 Budget	*Fiscal Year 2014 Results*	*Amended Fiscal Year 2015 Budget*	*Fiscal Year 2015 Results*	*Adopted Fiscal Year 2016 Budget*	*Unaudited Fiscal Year 2016 Results*	*Adopted Fiscal Year 2017 Budget*
Revenues							
Property Taxes	$ 9,647,100	$ 10,668,782	$ 11,083,551	$ 11,594,459	$ 12,072,224	[	$ 12,736,197
Property Taxes in lieu	13,640,000	13,871,754	14,912,136	15,137,754	15,732,303		16,597,580
Utility Taxes[(1)]	16,114,000	15,595,141	15,912,000	16,138,202	15,912,000		16,092,542
Sales Taxes	15,570,000	15,887,129	17,638,770	16,130,340	19,269,321		20,486,866
Other Taxes	7,965,000	8,576,926	8,266,100	9,750,622	9,155,250		9,452,668
Licenses & Permits	1,514,000	2,164,753	1,519,200	2,020,231	2,090,930		2,126,877
Intergovernmental	265,000	311,509	260,000	414,553	230,000		215,000
Charges for Services	8,869,395	9,895,991	9,285,333	9,449,482	10,733,409		10,971,363
Use of Money & Property	2,688,000	2,836,595	3,516,825	2,214,460	3,469,962		3,469,962
Fines & Forfeitures	601,500	577,962	606,500	595,084	623,760		629,073
Miscellaneous	51,400	642,855[(3)]	654,904	702,757	103,400		103,400
Total Revenues	$ 76,925,395	$ 81,029,397	$ 83,655,319	$ 84,147,944	$ 89,392,559		$ 92,881,528
Expenditures							
Personnel Services	$ 13,382,123	$ 13,943,077	$ 15,645,774	[	$ 18,446,109		$ 18,848,815
Contractual Services	53,132,865	50,349,793	56,372,259		61,100,017		64,934,778
Materials & Supplies	1,152,571	923,151	2,710,797		3,614,989		3,569,633
Fixed Charges	6,791,974	7,955,737	5,219,274		4,298,728		3,762,131
Fixed Assets	125,000	114,137	48,200		50,000		50,000
Total Expenditures	$ 74,583,533	$ 73,285,895	$ 79,996,304		$ 87,509,843		$ 91,165,357
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 2,340,862	$ 7,743,502	$ 3,659,015	]	$ 976,175	]	$ 1,018,145

(1) See the caption " — Utility Taxes."

(2) Difference from Fiscal Year 2013 budgeted amount reflects a reduction in investment income of approximately $1.1 million resulting from a mark-to-market entry required by GASB Statement No. 31 ("GASB 31") and $600,000 in interest on certain obligations payable by the former Community Redevelopment Agency of the City of Moreno Valley that was suspended as a result of the dissolution of redevelopment agencies. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION — Redevelopment Dissolution."

(3) Includes $150,000 contribution from the Successor Agency. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION — Redevelopment Dissolution."

Sources: Adopted budgets of the City for Fiscal Years 2014, 2015 and 2016; audited financial statements of the City for Fiscal Years 2013, 2014 and 2015.

Change in Fund Balance of the City General Fund

Set forth in Table 2 are the City's audited General Fund statements of revenues, expenditures and changes in fund balance for Fiscal Years 2012 through 2015 and the unaudited General Fund statement of revenues, expenditures and changes in fund balance for Fiscal Year 2016.

TABLE 2
CITY OF MORENO VALLEY
GENERAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

	Fiscal Year Ending June 30,				
	2012	***2013***	***2014***	***2015***	***2016***[(2)]
Revenues					
Taxes					
Property Taxes	$ 9,397,373	$ 9,765,007	$ 10,668,782	$ 11,594,459	$[
Property Taxes in lieu	13,170,964	13,414,446	13,871,754	15,137,754	
Utility Taxes	15,591,386	15,683,931	15,595,141	16,138,202	
Sales Taxes	14,003,993	14,043,560	15,887,129	16,130,340	
Other Taxes	7,533,532	7,825,138	8,576,926	9,750,622	
Licenses & Permits	1,523,800	1,585,312	2,164,753	2,020,231	
Intergovernmental	398,193	260,691	311,509	414,553	
Charges for Services	8,574,131	8,258,733	9,895,991	9,449,482	
Use of Money & Property	4,004,511	1,071,418	2,836,595	2,214,460	
Fines & Forfeitures	603,065	610,171	577,962	595,084	
Miscellaneous[(1)]	138,346	485,160	642,855	702,757	
Total Revenues	$ 74,939,294	$ 73,003,567	$ 81,029,397	$ 84,147,944	$
Expenditures					
Current					
General government	$ 13,482,192	$ 11,370,282	$ 11,249,491	$ 12,260,209	$
Public Safety	53,600,412	57,356,187	52,565,026	54,640,007	
Community Development	6,482,658	7,143,586	5,344,292	5,719,757	
Public Works	2,109,287	2,271,319	3,974,839	4,138,311	
Capital Outlay	673,934	173,372	152,247	222,234	
Debt Service					
Principal Retirements	-	-	-	-	
Interest and Fiscal Charges	-	-	-	-	
Total Expenditures	$ 76,348,483	$ 78,314,746	$ 73,285,895	$ 76,980,518	$
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (1,409,189)	$ (5,311,179)	$ 7,743,502	$ 7,167,426	$
Other Financing Sources (Uses)					
Transfers In	$ 539,656	$ 588,370	$ 1,013,421	$ 346,293	$
Transfers Out	(4,028,932)	(2,370,220)	(2,575,373)	(4,693,392)	
Refunding Bonds Issued	-	-	-		
Refunding Bonds Issuance Cost	-	-	-		
Total Other Financing Sources (Uses)	$ (3,489,276)	$ (1,781,850)	$ (1,561,952)	$ (4,347,099)	$
Net Change in Fund Balances	$ (4,898,465)	$ (7,093,029)	$ 6,181,550	$ 2,820,327	$
Fund Balances, Beginning of Year, as previously reported	-	-	$ 34,374,025	$ 40,555,575	
Restatements	-	-	-	-	
Fund Balances, Beginning of Year, as restated	46,365,519	41,467,054	-	40,555,575	
Fund Balances, End of Year	$ 41,467,054	$ 34,374,025	$ 40,555,575	$ 43,375,902	$]

(1) Includes $150,000 contribution from the Successor Agency. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION — Redevelopment Dissolution."
(2) Reflects unaudited actual Fiscal Year 2016 results. Such amounts are subject to change.
Sources: Audited financial statements for Fiscal Years 2012 through 2015; City for Fiscal Year 2016.

General Fund Balance Sheets of the City

Set forth in Table 3 are the City's audited General Fund balance sheets for Fiscal Years for Fiscal Years 2012 through 2015 and the unaudited General Fund balance sheet for Fiscal Year 2016.

TABLE 3
CITY OF MORENO VALLEY
GENERAL FUND BALANCE SHEETS

	Fiscal Year Ending June 30,				
	2012	***2013***	***2014***	***2015***	***2016***(1)
Assets					
Pooled Cash and Investments	$ 38,670,375	$ 31,229,246	$ 40,659,739	$ 39,866,151	$[
Receivables					
Accounts	3,159,916	2,278,299	2,427,060	2,679,279	
Notes and Loans	-	-	-	-	
Notes to Successor Agency	16,304,121	16,723,574	16,998,503	15,568,341	
Interest	1,001,495	697,176	560,730	415,701	
Prepaid Costs	56,017	-		-	
Due from Other Governments	2,734,436	3,128,071	3,021,893	3,034,489	
Due from Other Funds	3,585,358	7,647,285	2,807,492	5,030,850	
Advances to Other Funds	51,700	-	3,772,000	4,196,000	
Land Held for Resale	-	-	-	-	
Restricted Assets					
Cash with Fiscal Agents	-	-	-	-	
Total Assets	$ 65,563,418	$ 61,703,651	$ 70,247,417	$ 70,790,811	$
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	$ 12,296,380	$ 15,021,137	$ 16,485,502	$ 13,624,182	$
Accrued Liabilities	488,097	815,571	933,348	1,026,936	
Deferred Revenues	10,973,533	-	-	-	
Unearned Revenues	333,158	262,966	628,786	364,105	
Deposits Payable	-	-	-	-	
Due to Other Governments	5,196	4,032	6,119	249,634	
Due to Other Funds	-		-	-	
Advances from Other Funds	-	-	-	-	
Total Liabilities	$ 24,096,364	$ 16,103,706	$ 18,053,755	$ 15,264,857	$
Deferred Inflows of Resources					
Unavailable Revenues	-	11,225,920	11,638,087	12,150,052	
Total Deferred Inflows of Resources		11,225,920	11,638,087	12,150,052	
Fund Balances					
Nonspendable					
Prepaid Costs	$ 56,017	$ -	$ -	$ -	$
Land Held for Resale	-	-	-	-	
Notes and Loans	5,330,589	5,497,653	-	-	
Notes to Successor Agency	-	-	5,360,415	4,192,275	
Advances to Other Funds	51,700	-	3,772,000	4,196,000	
Permanent Fund Principal	-	-	-	-	
Committed to					
Revolving Line of Credit	2,600,000	2,600,000	2,600,000	2,111,000	
Maintenance of Pedestrian Bridge	-	-	129,722	155,281	
Scholarship Program	-	-	-	-	
Outside Legal Services	-	101,000	-	-	
Assigned to				-	
Capital Projects	-	61,641	-	-	
Debt Service	1,000,000	-	-	-	
Continuing Appropriations	458,283	17,770	534,245	620,683	
GASB 31	2,155,654	567,187	622,748	494,501	
Future Debt Service	-	-	-	-	
Unassigned	29,814,811	25,528,774	27,536,445	31,606,162	
Total Fund Balances	$ 41,467,054	$ 34,374,025	$ 40,555,575	$ 43,375,902	$
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 65,563,418	$ 61,703,651	$ 70,247,417	$ 70,790,811	$]

(1) Reflects unaudited actual Fiscal Year 2016 results. Such amounts are subject to change.
Sources: Audited financial statements for Fiscal Years 2012 through 2015; City for Fiscal Year 2016.

Property Taxes

Property tax receipts of $__________ (based on unaudited numbers) provided the [fourth] largest tax revenue source of the City in Fiscal Year 2016, contributing approximately _____% of General Fund tax revenues and approximately _____% of total General Fund revenues during Fiscal Year 2016. Property in the State which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed 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 the secured property, regardless of the time of the creation of other liens. The valuation of property is determined as of January 1 each year, and installments of taxes levied upon secured property become delinquent on the following December 10th and April 10th of the subsequent calendar year. Taxes on unsecured property are due July 1 and become delinquent August 31.

Secured and unsecured properties 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. The exclusive means of forcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes of the State for the amount of taxes that are delinquent. The taxing authority has four methods of collecting unsecured personal property taxes: (1) filing 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 recording in the county recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements or possessory interests belonging or taxable to the assessee.

A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, beginning on the July 1 following a delinquency, interest begins accruing at the rate of 1.5% per month on the amount delinquent. Such property may thereafter be redeemed by the payment of the delinquent taxes and the 10% penalty, plus interest at the rate of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes or property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on the varying dates related to the tax billing date.

Legislation enacted in 1984 (Section 25 *et seq*. of the California Revenue and Taxation Code), provides for the supplemental assignment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessment for up to 14 months. Collection of taxes based on supplemental assessments occurs throughout the year. Taxes due are prorated according to the amount of time remaining in the tax year, with the exception of tax bills dated January 1 through May 31, which are calculated on the basis of the remainder of the current Fiscal Year and the full 12 months of the next Fiscal Year.

For a number of years, the State Legislature has shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund ("ERAF"). In Fiscal Years 1993 and 1994, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over $3 billion of property taxes from cities, counties, and special districts to schools and community college districts pursuant to ERAF shifts. The Fiscal Year 2005 State Budget included an additional $1.3 billion shift of property taxes from certain local agencies, including the City, in Fiscal Years 2005 and 2006.

On November 2, 2004, State voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not: (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes; (ii) shift property taxes from local governments to schools or community colleges; (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature; or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2009, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

On July 27, 2009, the Governor signed a revised Fiscal Year 2010 State budget that included an ERAF shift of approximately 8% of 1% *ad valorem* property tax revenues from certain local agencies, including the City. The City participated in the State of California Proposition 1A Receivables Program to securitize its receivable from the State, and, as a result, received the shifted funds in the amount of $1,307,713, without interest, in two installments in 2010 from the California Statewide Communities Development Authority.

Set forth in Table 4 are the secured and unsecured assessed valuations for property in the City for the Fiscal Years 2011 through 2016.

TABLE 4
CITY OF MORENO VALLEY
ASSESSED VALUATION HISTORY[1]

Fiscal Year	*Secured Value*	*Unsecured Value*	*Total Assessed Value*	*Less Exemptions*	*Taxable Assessed Value*	*Direct Tax Rate*
2011	$10,516,338,000	$238,786,000	$10,755,124,000	$(227,178,000)	$10,527,946,000	0.00164
2012	10,561,585,000	271,336,000	10,832,921,000	(236,235,000)	10,596,686,000	0.00258
2013	10,646,415,000	342,094,000	10,988,509,000	(249,331,000)	10,739,178,000	0.00183
2014	11,042,637,000	352,337,000	11,394,974,000	(264,161,000)	11,130,813,000	0.00185
2015	12,102,252,000	366,400,000	12,468,652,000	(262,713,000)	12,205,939,000	0.00179
2016	[					]

(1) Figures have been rounded to the nearest thousand dollars.
Sources: Audited financial statements for Fiscal Year Ended June 30, 2015; County Assessor's Office.

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Set forth in Table 5 are property tax collections and delinquencies in the City as of June 30 for Fiscal Years 2010 through 2015, the latest period for which such information is available. Although the County has not formally adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the Teeter Plan), as provided for in Section 4701 *et seq*. of the Revenue and Taxation Code of the State, under a longstanding County policy, the County Auditor-Controller distributes 100% of tax increment revenues allocated to each city in the County without regard to delinquencies in the payment of property taxes. As a result of this allocation method, the City receives no adjustments for redemption payments on delinquent collections. The City does receive supplemental taxes. There can be no assurance that the County Auditor-Controller will not change its policies with respect to delinquencies in property tax payments in the future.

TABLE 5
CITY OF MORENO VALLEY
PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Year	*Total Tax Levy*	*Collections within the Fiscal Year of Levy*	*Percent of Levy Collected within the Fiscal Year of Levy*	*Collections in Subsequent Years*	*Percent of Levy Collected to Date*
2010	$35,573,656	$35,492,693	99.77%	$80,963	100.00%
2011	33,713,334	33,658,226	99.84	55,108	100.00
2012	33,226,437	33,172,713	99.84	53,724	100.00
2013	25,630,602	25,580,901	99.81	49,701	100.00
2014	26,906,254	26,862,040	99.84	44,214	100.00
2015	26,455,986	26,154,116	98.86		[98.86]

Source: City.

The ten largest taxpayers in the City as shown on the Fiscal Year 2016 tax roll, the assessed valuation and the percentage of the City's total property tax revenues attributable to each are set forth in Table 6.

TABLE 6
CITY OF MORENO VALLEY
TEN LARGEST TAXPAYERS

Rank	*Property Owner*	*Fiscal Year 2016 Assessed Valuation*	*% of Total*[(1)]
1.		$	%
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
TOTAL		$	%

(1) Fiscal Year 2016 Taxable Assessed Value: $__________.
Source: City.

Sales Taxes

Sales tax receipts of $__________ (based on unaudited actual results) provided the [second] largest tax revenue source for the City in Fiscal Year 2016, contributing approximately _____% of General Fund tax revenues and approximately _____% of total General Fund revenues during Fiscal Year 2016. Automobile sales at the Moreno Valley Auto Mall and retail sales at the Moreno Valley Mall at Towngate contribute significantly to such receipts.

A sales tax is imposed on retail sales or consumption of personal property and collected and distributed by the State Board of Equalization. The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. The current sales tax rate in the City is 8%.

Additional information relating to sales tax receipts by the City is set forth in Appendix F.

Utility Taxes

Utility taxes of $__________ (based on unaudited actual results) provided the largest tax revenue source for the City in Fiscal Year 2016, contributing approximately _____% of General Fund tax revenues and approximately _____% of total General Fund revenues during Fiscal Year 2016. The utility tax is imposed upon utility users in the City, including users of electricity, gas, telephone, mobile telephone and water services, at the rate of _____%. Exemptions are available for low-income residents. Proceeds of the utility tax are used to fund police, fire, library, school crossing guard, animal control, code enforcement and street maintenance programs and other activities funded by the General Fund.

In July 2015, the City was made aware of an effort by a taxpayer advocacy group to place a measure on the ballot to repeal the City's utility tax. The action is part of a larger Statewide effort affecting approximately 60 municipalities with similar utility taxes. In order to place such a measure on the ballot, a petition must be signed by 10% (or approximately 7,600) of the registered voters in the City, and in order for the measure to be adopted, it must be approved by a majority of citizens voting thereon. There can be no assurance as to whether the requisite number of signatures will be gathered, or the timing thereof, nor can there be any assurance as to whether the measure will ultimately be adopted.

Other Taxes

Other taxes of $__________ (based on unaudited actual results) collected by the City in Fiscal Year 2016, including but not limited to transient occupancy taxes, business licenses, franchise fees and property transfer taxes, provided approximately _____% of General Fund tax revenues and _____% of total General Fund revenues during Fiscal Year 2016.

[UPDATE] [A measure has been placed on the November 2016 ballot to increase the transient occupancy tax rate in the City from 8% to 13%. If the measure is adopted by majority vote, the City currently expects transient occupancy tax revenues to increase by approximately $650,000 per year.

Services

Fees of $__________ (based on unaudited actual results) collected for services provided by the City in Fiscal Year 2016, including but not limited to fees for plan checks and other planning services, issuance of building permits, police services, paramedic services, public works projects and parks and recreation programs, provided approximately _____% of General Fund revenues during Fiscal Year 2016.

State of California Motor Vehicle In-Lieu Payments

The State imposes a Vehicle License Fee (the "VLF"), which is the portion of the fees paid in lieu of personal property taxes on a vehicle. The VLF is based on vehicle value and declines as the vehicle ages. Prior to the adoption of the Fiscal Year 2005 State Budget, the VLF was 2% of the value of a vehicle. Through legislation in prior Fiscal Years, the State enacted VLF reductions under which the State was required to "backfill" local governments for their revenue losses resulting from the lowered fee. The Fiscal Year 2005 State Budget permanently reduced the VLF from 2% to 0.65% of the value of a vehicle and deleted the requirement for backfill payments, providing instead that the amount of the backfill requirement will be met by an increase in the property tax allocation to cities and counties. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION."

As set forth in Table 7 below, for Fiscal Year 2016, the City received $__________ (based on unaudited actual results) in total VLF revenues, all of which was distributed from property tax receipts.

TABLE 7
CITY OF MORENO VALLEY
STATE OF CALIFORNIA MOTOR VEHICLE IN-LIEU PAYMENTS

	Fiscal Year				
Source	***2012***	***2013***	***2014***	***2015***	***2016***[(1)]
Motor Vehicle In-Lieu Payments	$13,170,964	$13,414,446	$13,871,754	$15,137,754	$

(1) Reflects unaudited actual Fiscal Year 2016 results. Such amounts are subject to change.
Source: City.

Indebtedness

General Fund-Supported Debt.

2011 Private Placement Obligation – City Hall Refunding. In 2011, the City and the Authority entered into a lease arrangement (the "2011 Private Placement Obligation – City Hall Refunding") pursuant to which: (i) the City leased a corporate yard and a senior center to the Authority in exchange for a lump sum payment; and (ii) the Authority subleased such property back to the City in exchange for lease payments payable through November 1, 2016. Proceeds of the 2011 Private Placement Obligation – City Hall Refunding were applied to refund certain prior obligations of the City entered into in 1997. The lease payments bear interest at the rate of 2.92%. As of June 30, 2016, the 2011 Private Placement Obligation – City Hall Refunding was outstanding in the principal amount of $1,800,000.

The City has covenanted in the 2011 Private Placement Obligation – City Hall Refunding to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, on a basis that is substantially similar to the Facilities Sublease in connection with the Bonds.

2013 Bonds. In 2013, the Authority issued its Lease Revenue Refunding Bonds Series 2013 (the "2013 Bonds") to refinance certain capital improvements of the City and the Electric Utility. The 2013 Bonds mature on November 1, 2022 and bear interest at rates varying from 1% to 5% per annum. The 2013 Bonds are payable from rental payments payable from the City to the Authority under a Master Facilities Sublease, dated as of December 1, 2013 (the "2013 Sublease"), by and between the City and the Authority. The leased assets under the 2013 Sublease include City Hall, the City's Public Safety Building/Emergency Operations Center, Morrison Park Fire Station No. 99, Sunnymead Park, Woodland Park and John F. Kennedy Veterans Memorial Park. As of June 30, 2016, the 2013 Bonds were outstanding in the aggregate principal amount of $8,630,000.

The City has covenanted in the 2013 Sublease to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, on a basis that is substantially similar to the Facilities Sublease in connection with the Bonds.

2014 Bonds. In November 2014, the Authority issued its Lease Revenue Refunding Bonds Series 2014 (the "2014 Bonds") to refinance certain capital improvements of the City and the Electric Utility. The 2014 Bonds mature on November 1, 2035 and bear interest at rates varying from 2% to 5% per annum. The 2014 Bonds are payable from rental payments by the City to the Authority under the 2013 Sublease. The leased assets under the 2013 Sublease include City Hall, the City's Public Safety Building/Emergency Operations Center, Morrison Park Fire Station No. 99, Sunnymead Park, Woodland Park and John F. Kennedy Veterans Memorial Park. As of June 30, 2016, the 2014 Bonds were outstanding in the aggregate principal amount of $25,265,000.

The City has covenanted in the 2013 Sublease to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, on a basis that is substantially similar to the Facilities Sublease in connection with the Bonds.

Other Long Term Debt. As of June 30, 2016, the City had $20,000,000 aggregate principal amount of obligations under a 2016 Installment Sale Agreement, dated as of August 1, 2013 (the "2013 ISA"), by and between the City and the California Statewide Communities Development Authority. The 2013 ISA is payable from proceeds of a retail transactions and use tax imposed by the County.

Short-Term Debt. The City currently has no short-term debt outstanding.

Estimated Direct and Overlapping Bonded Debt. The estimated direct and overlapping bonded debt of the City as of June 30, 2015 is set forth in Table 8. The information in Table 8 has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. None of the City, the Authority or the Underwriter has independently verified the information in Table 8 and the City, the Authority and the Underwriter do not guarantee its accuracy.

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TABLE 8
CITY OF MORENO VALLEY
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT AS OF JUNE 30, 2016

Fiscal Year 2016-17 Assessed Valuation: $__________

OVERLAPPING TAX AND ASSESSMENT DEBT:	*Total Debt 6/30/16*	*% Applicable*(1)	*City's Share of Debt 6/30/16*

[TABLE ORDERED]

Source: California Municipal Statistics, Inc.

Retirement Contributions

This caption contains certain information relating to the California Public Employees Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City and the Authority have not independently verified the information provided by CalPERS and make no representations nor express any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by *reference herein. Neither the City nor the Authority can guarantee the accuracy of such information. Actuarial assessments are forward-looking statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.*

The City contributes to CalPERS, an agent multiple-employer public employee defined benefit pension plan, on behalf of [331] total City employees who participate in the City's Miscellaneous Plan. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by State statute and the City Council.

In June 2012, the Governmental Accounting Standards Board ("GASB") adopted revised standards (GASB Statement No. 68, or "GASB 68") with respect to accounting and financial reporting by state and local government employers for defined benefit pension plans. The revised standards alter the accounting treatment of defined benefit pension plans, changing the way expenses and liabilities are calculated and how state and local government employers report those expenses and liabilities in their financial statements. Major changes include: (i) the inclusion of unfunded pension liabilities on the local government's balance sheet (previously, such unfunded liabilities were typically included as notes to the local government's financial statements); (ii) pension expense incorporates more rapid recognition of actuarial experience and investment returns and is no longer based on the employer's actual contribution amounts; (iii) lower actuarial discount rates that are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities that are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns to will be recognized over a closed five-year smoothing period. The reporting requirements took effect in Fiscal Year 2015. Based on the adoption of the revised accounting standards, beginning with the Fiscal Year 2015 actuarial valuation, the annual required contribution and the annual pension expense will be different. GASB 68 is a change in accounting reporting and disclosure requirements, but it does not change the City's pension plan funding obligations.

The City participates in separate CalPERS plans for employees based on hire date. The City's plans are part of CalPERS risk pools. Benefit provisions for each plan are set forth below.

	Employees Hired Before January 1, 2013	***Employees Hired On or After January 1, 2013***
Benefit Formula	2.7% @55	2.0% @ 62
Benefit Vesting	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50-55	52-62
Monthly Benefits as % of Salary	2.0 – 2.7%	1.0% - 2.0%
Employee Contribution Rate	8.00% / 7.00%(1)	6.25%(2)

(1) The City makes the full 8.00% employee contribution for employees who were hired before July 1, 2009. Employees who were hired between July 1, 2009 and December 22, 2011 are required to make the full employee contribution of 8.00%. Employees who were hired between December 23, 2011 and December 31, 2012 are required to make the full employee contribution of 7.00%.

(2) Employees who were hired on or after January 1, 2013 are required to make the full employee contribution.

Source: City.

City employees who were hired on and after January 1, 2013 and who were not previously CalPERS members participate in the City 2.0% at 62 plan; such employees are required to make the full amount of required contributions themselves under the California Public Employees' Pension Reform Act of 2013 ("**AB 340**"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier (2.0% at 62 formula) with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also caps pensionable income for 2015 at $117,020 ($140,424 for employees who are not enrolled in Social Security), subject to Consumer Price Index increases, and prohibits retroactive benefits increases, generally prohibiting contribution holidays and purchases of additional non-qualified service credit. CalPERS estimates savings for local agency plans as a result of AB 340 of approximately $1.653 billion to $2.355 billion over the next 30 years, primarily due to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City have not been quantified.

Provisions in AB 340 will likely not have a material effect on City contributions in the short term. However, additional employee contributions, limits on pensionable compensation and higher retirement ages for new members will reduce the City's unfunded pension lability and potentially reduce City contribution levels in the long term.

The City is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates for Fiscal Year 2016 were 24.859% for the 2.7% at 55 plan and 24.859% for the 2.0% at 62 AB 340 plan. The required employer contribution rates for Fiscal Year 2017 are 27.196% for the 2.7% at 55 plan and 27.196% for the 2.0% at 62 AB 340 plan. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount, expressed as a percentage of payroll, that is necessary to finance the costs of benefits that are earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Under GASB 68, which was implemented beginning in Fiscal Year 2015, the City's pension plans had a total net pension liability of approximately $[____] as of June 30, 2015 and a total net pension liability of approximately $[____] as of June 30, 2016. The net pension liability is the difference between total pension liability and the fair market value of pension assets. The City's total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts.

For Fiscal Year 2016, the City made a [lump sum] CalPERS plan contribution of $[___]. The City currently expects its annual required contribution in Fiscal Year 2017 to be approximately $[___] (assuming that the City elects the lump sum payment option).

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2016 is shown below.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.75%
Mortality Rate Table[1]	Derived using CalPERS' membership data for all funds

[1] The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Source: City.

The total changes in the net pension liability for the City's CalPERS plans were as follows:

South Coast Water
Changes in Net Pension Liability

	Increase / (Decrease)		
	Total Pension Liability	***Plan Fiduciary Net Position***	***Net Pension Liability / (Asset)***
Balance at June 30, 2015	$[	$	$
Balance at June 30, 2016			
Net Changes during Fiscal Year 2016[1]	$	$	$]

[1] Unaudited.

Source: City.

The June 30, 2016 balances are based on CalPERS actuarial valuation data of June 30, 2014 with assumptions and market values updated through June 30, 2015.

The following table presents the net pension liability of the City's CalPERS plans, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

City of Moreno Valley
Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	Discount Rate – 1% (6.50%)	***Current Discount Rate (7.50%)***	***Discount Rate + 1% (8.50%)***
Plan's Net Pension Liability/(Asset)	$[	$	$

Source: City.

CalPERS earnings reports for Fiscal Years 2010 through 2016 report an investment gain in excess of 13.0%, 21.7%, 1%, 12.5%, 18.4% and 2.4%, respectively, with a preliminary return of 0.61% reported for Fiscal Year 2016. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City.

For additional information relating to the City's plan, see Note 8 to the City's audited financial statements for Fiscal Year 2015 attached hereto as Appendix B.

No assurance can be provided that the City's CalPERS plan expenses will not increase significantly in the future.

Other Post-Employment Benefits

The City provides post-employment health care benefits to qualified retired employees. Employees are eligible for such benefits if they were hired prior to September 30, 2011 and retire directly from the City at or after age 50 with at least five years of CalPERS membership. Employees hired after September 30, 2011 are not eligible for such benefits; the City no longer offers such benefits to employees hired after September 30, 2011. The City's plan is an agent multiple-employer defined benefit other post-employment benefits ("OPEB") plan. The OPEB plan contributes an amount for the retiree and dependents, as applicable, for certain healthcare services.

The contribution requirements for OPEB plan participants and the City are established and may be amended by the City Council. The annual required contribution (the "OPEB ARC") is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The OPEB ARC is equal to the normal cost each year plus a closed 30 year period amortization (ending in 2028) of the unfunded actuarial liability. Based on the actuarial valuation of the City's OPEB plan as of June 30, 2014, the OPEB ARC for Fiscal Year 2015 was approximately $902,000 and the OPEB ARC for Fiscal Year 2016 was approximately [$904,000]. The OPEB valuation that was prepared as of June 30, 2013, in accordance with GASB Statement No. 45, was used for reporting OPEB information in the City's financial statements for Fiscal Year 2014.

In July 2015, Bartel & Associates completed an actuarial valuation of the City's OPEB plan based on a valuation date of January 1, 2015. The report was developed in accordance with new accounting standards established by GASB Statement No. 75 ("GASB 75"), which requires that the valuation include the value of the "implied subsidy" of older retired participants by a younger active workforce in a pooled rate medical plan. The City intends to continue to pay the full OPEB ARC without the impact of the implied subsidy included.

Based on the 2015 actuarial valuation of the City's OPEB plan, the OPEB ARC for Fiscal Year 2017 is expected to be $1,426,000 using the new methodology compliant with GASB 75 (or $1,341,000 using the old methodology).

The City is not required to fund the amortization of the unfunded actuarial liability. Prior to June 2009, the City's policy was to pay for OPEB plan costs as they are incurred. In June 2009, the City Council approved the establishment of an irrevocable OPEB trust (the "OPEB Trust") and approved and authorized an agreement with CalPERS to administer the OPEB Trust on its behalf. The City estimates that the establishment of the OPEB Trust and pre-funding of the City's OPEB liability will significantly reduce the City's unfunded OPEB obligation. Based on the 2015 actuarial valuation, the actuarial unfunded liability of the City's OPEB plan was estimated to be approximately $10,343,000 using the new methodology compliant with GASB 75 (or $9,428,000 using the old methodology).

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last five Fiscal Years was as follows:

Fiscal Year	*Annual OPEB Cost*[1]	*Percentage of Annual OPEB Cost Contributed*	*Net OPEB Obligation*[2]
2011	$1,564,000	100%	$ -
2012	1,615,000	72	450,000
2013	1,018,000	56	900,000
2014	1,066,000	58	1,347,000
2015	910,000	73	1,593,000

(1) Equal to the OPEB ARC.
(2) See Note 9 in Appendix B for a description of the calculation of the net OPEB obligation.

Historical information with respect to the funded status of the City's OPEB plan is set forth below.

Valuation Date	*Actuarial Accrued Liability*	*Actuarial Value of Assets*	*Unfunded Actuarial Accrued Liability*	*Funded Ratio*[1]	*Annual Covered Payroll*	*Unfunded Actuarial Accrued Liability as Percentage of Payroll*
01/01/10	$13,600,000	$2,386,000	$11,214,000	17.5%	$22,465,000	49.9%
06/30/11	11,670,000	4,428,000	7,242,000	37.9	23,195,000	31.2
06/30/13	12,531,000	6,186,000	6,345,000	49.4	21,589,000	29.4
06/30/15[1]	18,148,000	7,805,000	10,343,000	43.0	17,919,000	57.7

(1) Reflects effect of implied subsidy in accordance with new GASB 75 requirements, as described above. Not comparable with prior years.

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the City's financial statements set forth in Appendix B, presents multi-year trend information about whether the actuarial value of OPEB plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits are based on the substantive plan and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are described in detail in Note 9 to Appendix B.

City Investment Policy

The City invests its funds in accordance with the City's investment policy (the "Investment Policy"), which was most recently amended in June 2015. In accordance with Section 53600 *et seq.* of the California Government Code, idle cash management and investment transactions are the responsibility of the City Treasurer. The City's Investment Policy sets forth the policies and procedures applicable to the investment of City funds and designates eligible investments. The Investment Policy sets forth a stated objective, among others, of insuring the safety of invested funds by limiting credit and market risks. Eligible investments are generally limited to the Local Agency Investment Fund which is operated by the California State Treasurer, the County investment pool for local agencies, local agency bonds, U.S. Treasury Bills, Notes and Bonds, obligations issued by United States Government agencies, FDIC-insured or negotiable certificates of deposit, repurchase agreements, banker's acceptances and commercial paper rated A1/P1, as applicable, or better, and money market funds rated in the highest category by Moody's or S&P or administered by a domestic bank with long-term debt rated in one of the top two categories of Moody's and S&P. Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Return on Investment.

The City Treasurer is required to provide a quarterly report to the City Manager and the City Council showing the type of investment, date of maturity, amount invested, current market value, rate of interest, and other such information as may be required by the City Council.

A summary of the City's investments as of June 30, 2016 is set forth in the below table. Approximately $_____ million (___%) of the total investment portfolio as of June 30, 2016 was attributed to the General Fund.

CITY OF MORENO VALLEY
INVESTMENTS AS OF JUNE 30, 2016[1]

	Investment Maturity				
Investment Type	***6 Months or Less***	***6 Months to 1 Year***	***1 to 3 Years***	***3 to 5 Years***	***Total***
Local Agency Investment Fund	$	$	$	$	$
Asset-Backed Securities					
Commercial Paper					
US Corporate					
US Treasury Notes					
Federal Farm Credit Bank					
Federal Home Loan Bank					
Federal Home Loan Mortgage Corp.					
Federal National Mortgage Assn.					
Federated Government					
Cash					
Totals	$	$	$	$	$

(1) Totals may not add due to rounding.
Source: City.

See Note 3 in Appendix B for further information with respect to City investments.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2016 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2016 Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Series 2016 Bonds

The Series 2016 Bonds are special obligations of the Authority, payable solely from Base Rental Payments on a parity with the Series 2015 Bonds and the other assets pledged under the Trust Agreement. Neither the faith and credit nor the taxing power of the Authority, the City, the State, or any political subdivision thereof, is pledged to the payment of the Series 2016 Bonds. The Authority has no taxing power.

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

Although the Facilities Sublease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Facilities Sublease to pay the Base Rental Payments and Additional Payments from any source of legally available funds, and the City has covenanted in the Facilities Sublease to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due thereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments, subject to abatement. The City is currently liable and may become liable on other obligations payable from general revenues. See the caption "CITY FINANCIAL INFORMATION — Indebtedness — General Fund-Supported Debt."

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues, including pension obligations and essential services. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event that the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Facilities Sublease. The same result could occur if, because of State Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. However, the City's appropriations have never exceeded the limitation on appropriations under Article XIIIB of the State Constitution. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Article XIIIB of the State Constitution."

Abatement

In the event of substantial interference with the City's right to use and occupy any portion of the Property by reason of damage to or destruction or condemnation of the Property, or any defects in title to the Property, Base Rental Payments will be subject to abatement. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS — Abatement." In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period in which funds are available from the funds and accounts established under the Trust Agreement, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Series 2016 Bonds, there could be insufficient funds to make payments to Owners in full.

It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, the value of the Property could be substantially higher or lower than its value at the time of the issuance of the Series 2016 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2016 Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Property results in abatement of the Base Rental Payments related to such Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest with respect to the Series 2016 Bonds during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Facilities Sublease and the Trust Agreement, no remedy is available to the Series 2016 Bond Owners for nonpayment under such circumstances.

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, windstorm, drought, earthquake or flood, could have an adverse material impact on the economy within the City, its General Fund and the revenues available for the payment of the Base Rental Payments. The City does not maintain earthquake insurance for the Property.

Earthquakes are considered a threat to the City due to the highly active seismic region and the proximity of fault zones, which could influence the entire southern coastal portion of the State. However, no major earthquake has caused substantial damage to the City.

An earthquake along one of the faults in the vicinity of the City, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake could easily exceed the resources of the City and would require a high level of self-help, coordination and cooperation.

The occurrence of natural disasters in the City could result in substantial damage to the City which, in turn, could substantially reduce General Fund revenues and affect the ability of the City to make the Base Rental Payments. Reduced ability to make the Base Rental Payments could affect the payment of the principal of and interest on the Series 2016 Bonds. The City maintains liability insurance and property casualty insurance (for losses other than from seismic events) for the Property. See the caption "THE CITY — Risk Management." However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property, and therefore property tax revenue available to make Base Rental Payments, would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the City. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the City be affected by a hazardous substance, could be to reduce the marketability and value of such property by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The City has not independently verified, but is not aware of, the presence of any hazardous substances on the Property. Hazardous substance liabilities may arise in the future with respect to any of the property in the City resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise from the method of handling such substance. These possibilities could significantly affect the value of a parcel and could result in substantial delays in completing planned development on parcels that are currently undeveloped.

Other Financial Matters

Due to weakness in the economy of the State and the United States, it is possible that the general revenues of the City will decline. Such financial matters may have a detrimental impact on the City's General Fund, and, accordingly, may reduce the City's ability to make Base Rental Payments. See the caption "CITY FINANCIAL INFORMATION."

In addition, City expenses could also rise as a result of unforeseen events, including but not limited to increases in pension obligations or a determination that the Successor Agency's payment obligations under various agreements with the City are not enforceable obligations. Such a determination could require the City to make payments that were expected to come from Successor Agency funds from General Fund moneys or cause moneys received from the Successor Agency to be lower than budgeted. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION — Redevelopment Dissolution."

Substitution, Addition and Removal of Property; Additional Bonds

The Authority and the City may amend the Facilities Sublease: (a) to substitute alternate real property for any portion of the Property; (b) to add additional real property to the Property; or (c) to release a portion of the Property from the Facilities Sublease, upon compliance with all of the conditions set forth in the Facilities Sublease. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Facilities Sublease. Moreover, the Authority may issue Additional Bonds secured by Base Rental Payments which are increased from current levels. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS—Substitution, Addition and Removal of Property" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS — Additional Bonds."

Although the Facilities Sublease requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Base Rental Payments becoming due in the then current Fiscal Year or in any subsequent Fiscal Year, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of substitution or release. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Series 2016 Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See Appendix A.

The Trust Agreement requires, among other things, that upon the issuance of Additional Bonds, the Facilities Lease and the Facilities Sublease will be amended, to the extent necessary, so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds; provided, however, that no such amendment will be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Payments, in any Fiscal Year is in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS — Additional Bonds" for a full description of the requirements that must be met in order for the Authority to issue Additional Bonds.

Limited Recourse on Default; No Acceleration of Base Rental

Failure by the City to make Base Rental Payments or other payments required to be made under the Facilities Sublease, or failure to observe and perform any other terms, covenants or conditions contained in the Facilities Sublease or in the Trust Agreement for a period of 30 days after written notice of such failure and request that it be remedied has been given to the City by the Authority or the Trustee, constitute events of default under the Facilities Sublease and permit the Trustee or the Authority to pursue any and all remedies available. In the event of a default, notwithstanding anything in the Facilities Sublease or in the Trust Agreement to the contrary, there is no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable, nor do the Authority or the Trustee have any right to re-enter or re-let the Property except as described in the Facilities Sublease.

The enforcement of any remedies provided in the Facilities Sublease and the Trust Agreement could prove both expensive and time consuming. If the City defaults on its obligation to make Base Rental Payments with respect to the Property, the Trustee, as assignee of the Authority, may retain the Facilities Sublease and hold the City liable for all Base Rental Payments thereunder on an annual basis and enforce any other terms or provisions of the Facilities Sublease to be kept or performed by the City.

Alternatively, the Authority or the Trustee may terminate the Facilities Sublease, retake possession of the Property and proceed against the City to recover damages pursuant to the Facilities Sublease. Due to the specialized and limited nature of the Property, existing Permitted Encumbrances (as such term is defined in Appendix A) on the Property, and the restrictions on its use, it is unlikely that the Trustee would be able to re-let the Property so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the Series 2016 Bonds when due. Similar limitations and constraints would apply to any property substituted for the Property pursuant to the Facilities Sublease. Moreover, the Trustee is not empowered to sell the Property for the benefit of the Owners of the Series 2016 Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" and "THE PROPERTY" and Appendix A.

Possible Insufficiency of Insurance Proceeds

The Facilities Sublease obligates the City to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Property in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the City make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Facilities Sublease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Series 2016 Bonds when due. In addition, certain risks, such as earthquakes and floods, are not required to be covered under the Facilities Sublease, and therefore, are not carried by the City. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS — Insurance" and "THE CITY — Risk Management."

Limitations on Remedies

The rights of the Owners of the Series 2016 Bonds are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Furthermore, the remedies available to the Owners of the Series 2016 Bonds upon the occurrence of an event of default under the Trust Agreement or the Facilities Sublease are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Additionally, enforceability of the rights and remedies of the Owners of the Series 2016 Bonds, and the obligations incurred by the City, may become subject to the provisions of Title 11 of the United States Code (the "Bankruptcy Code") and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or later in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the

State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Series 2016 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights. Under Chapter 9 of the Bankruptcy Code, which governs the bankruptcy proceedings for public agencies such as the City, involuntary petitions are not permitted. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Series 2016 Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Facilities Sublease, and from taking any steps to collect amounts due from the City under the Facilities Sublease.

In particular, if the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City, and which could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment that is superior to that of Owners of the Series 2016 Bonds; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Series 2016 Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations that were substantially identical or similar to the Series 2016 Bonds. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy.

In addition, the City could either reject the Facilities Sublease or the Facilities Lease or assume the Sublease or the Facilities Lease despite any provision of the Facilities Sublease or the Facilities Lease that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Facilities Sublease, the Trustee, on behalf of the Owners of the Series 2016 Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Series 2016 Bonds. Moreover, such rejection would terminate the Facilities Sublease and the City's obligations to make payments thereunder. The City may also be permitted to assign the Facilities Sublease or the Facilities Lease to a third party, regardless of the terms of the transaction documents. If the City rejects the Facilities Lease, the Trustee, on behalf of the Owners of the Series 2016 Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Series 2016 Bonds. Moreover, such rejection may terminate both the Facilities Sublease and the Facilities Lease and the obligations of the City to make payments thereunder.

The opinion to be delivered by Bond Counsel concurrently with the execution and delivery of the Series 2016 Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Series 2016 Bonds will be similarly qualified. See Appendix C. In the event that the City fails to comply with its covenants under the Facilities Sublease or fails to pay Base Rental Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the Series 2016 Bonds.

No Liability of Authority to the Owners

Except as expressly provided in the Trust Agreement, the Authority has no obligation or liability to the Owners of the Series 2016 Bonds with respect to: (a) the payment when due of the Base Rental Payments by the City; (b) the performance by the City of other agreements and covenants required to be performed by it contained in the Facilities Sublease or the Trust Agreement; or (c) the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2016 Bonds or, if a secondary market exists, that the Series 2016 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Risks Associated with Bond Insurance

In the event that the Authority defaults in the payment of principal of or interest on the Series 2016 Bonds when due, the owners of the Series 2016 Bonds will have a claim under the Policy for such payments. See the caption "BOND INSURANCE." In the event that [INSURER] becomes obligated to make payments with respect to the Series 2016 Bonds, no assurance can be given that such event will not adversely affect the market for the Series 2016 Bonds. In the event that [INSURER] is unable to make payment of principal of and interest on the Series 2016 Bonds when due under the Policy, the Series 2016 Bonds will be payable solely from Revenues and amounts held in certain funds and accounts established under the Trust Agreement, as described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS."

The long-term rating on the Series 2016 Bonds is dependent in part on the financial strength of [INSURER] and its claims-paying ability. [INSURER]'s financial strength and claims-paying ability are predicated upon a number of factors which could change over time. If the long-term ratings of [INSURER] are lowered, such event could adversely affect the market for the Series 2016 Bonds. See the caption "RATINGS."

None of the Authority, the City nor the Underwriter have made an independent investigation of the claims-paying ability of [INSURER] and no assurance or representation regarding the financial strength or projected financial strength of [INSURER] is being made by the Authority, the City or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Series 2016 Bonds, potential investors should carefully consider the ability of the Authority to pay principal and interest on the Series 2016 Bonds, assuming that the Policy is not available for that purpose, and the claims-paying ability of [INSURER] through final maturity of the 2016 Bonds.

So long as the Policy remains in effect and [INSURER] is not in default of its obligations thereunder, [INSURER] has certain notice, consent and other rights under the Trust Agreement and will have the right to control all remedies for default under the Trust Agreement. [INSURER] is not required to obtain the consent of the owners of the Series 2016 Bonds with respect to the exercise of remedies. See Appendix A.

STATE OF CALIFORNIA BUDGET INFORMATION

State Budget

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance (the "DOF"), http://www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office (the "LAO") at http://www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, http://www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City can take no responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Budget for State Fiscal Year 2016-17

On June 27, 2016, the Governor signed into the law the State budget for fiscal year 2016-17 (the "2016-17 Budget"). The following information is drawn from the Department of Finance's summary of the 2016-17 Budget and the LAO's preliminary review of the 2016-17 Budget.

The 2016-17 Budget projects, for fiscal year 2015-16, total general fund revenues and transfers of $117.0 billion and total expenditures of $115.6 billion. The State is projected to end fiscal year 2015-16 with total available reserves of $7.3 billion, including $3.9 billion in the traditional general fund reserve and $3.4 billion in the Budget Stabilization Account (the "BSA"), the State's basic reserve account. For fiscal year 2016-17, the 2016-17 Budget projects a growth in State general fund revenues driven primarily by total general fund revenues of $120.3 billion and authorizes expenditures of $122.5 billion. The State is projected to end the fiscal year 2016-17 with total available reserves of $8.5 billion, including $1.8 billion in the traditional general fund reserve and $6.7 billion in the BSA.

As a result of higher general fund revenue estimates for fiscal years 2015-16 and 2016-17, and after accounting for expenditures that are controlled by State Constitutional funding requirements such as Proposition 2 and Proposition 98, the 2016-17 Budget allocates over $6 billion in discretionary funding for various purposes. These include: (i) additional deposits of $2 billion to the BSA and $600 million to the State's discretionary budget reserve fund; (ii) approximately $2.9 billion in one-time funding for infrastructure, affordable housing, public safety and other purposes; and (iii) $700 million in on-going funding commitments for higher education (the California State University and the University of California systems), corrections and rehabilitation and State courts.

As required by Proposition 2, the 2016-17 Budget applies $1.3 billion towards the repayment of existing State liabilities, including loans from special funds, State and University of California pension and retiree health benefits and settle-up payments to K-14 school districts resulting from an underfunding of the Proposition 98 minimum funding guarantee in a prior fiscal year. With respect to education funding, the 2016-17 Budget sets the Proposition 98 minimum funding guarantee at $71.9 billion, an increase of $2.8 billion over the revised level from the prior fiscal year.

For additional information regarding the 2016-17 Budget, see the DOF website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. The information presented on such websites is not incorporated herein by reference.

Potential Impact of State Financial Condition on the City

The State has experienced significant financial stress in recent years, with budget shortfalls in the several billions of dollars. There can be no assurance that, as a result of such State financial stress, the State will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. Although the State is not a significant source of City revenues, no prediction can be made by the City as to what measures the State will adopt to respond to the current or potential future financial difficulties. There can be no assurance that State actions to respond to State financial difficulties will not adversely affect the financial condition of the City.

Redevelopment Dissolution

General. On December 29, 2011, the State Supreme Court upheld Assembly Bill 1x26 ("AB 1x26"), which dissolved redevelopment agencies in the State. The effect of AB 1x26 upon the City is the termination of the redevelopment functions of the Community Redevelopment Agency of the City of Moreno Valley (the "Former Agency") and the transfer of such functions to a successor agency (the City, referred to in the capacity of a successor agency, and being referred to in this context as the "Successor Agency") tasked with winding down the Former Agency's redevelopment activities. Under AB 1x26, the Successor Agency cannot enter into new redevelopment projects or obligations and its assets can be used only to pay enforceable obligations, which enforceable obligations are generally limited to obligations in existence in mid-2011, when AB 1x26 was signed by the Governor. In addition, the Successor Agency will receive tax increment revenues in amounts that are sufficient to pay 100% (but no greater amount) of such enforceable obligations until such obligations (including accrued interest, as applicable) are paid in full, at which time the Successor Agency will be dissolved. Certain tax revenues formerly allocable to the Former Agency will continue to be available to the Successor Agency to pay certain obligations, and a portion of such revenues may be redirected to other taxing agencies, such as the County, school districts and the City. The Successor Agency's activities are subject to review by an oversight board established under AB 1x26. Under AB 1x26, liabilities of the Successor Agency are not liabilities of the City.

On June 27, 2012, the Governor signed Assembly Bill 1484 ("AB 1484"), which made certain amendments to AB 1x26. Under AB 1484, the County Auditor-Controller, the DOF and the State Controller may require the return of funds improperly spent or transferred to a public entity in conflict with the provisions of the Community Redevelopment Law, as amended by AB 1x26 and AB 1484, and if such funds are not returned within 60 days, they may be recovered through an offset of sales and use tax or property tax allocations to the local agency, which, in the case of the Successor Agency, is the City.

On September 22, 2015, the following amendments to the dissolution legislation discussed under the caption " — General" were enacted as Senate Bill 107 ("SB 107"): (1) redevelopment successor agencies that enter into a written agreement with the DOF to remit unencumbered cash to the county auditor-controller will receive a finding of completion, which provides successor agencies with additional fiscal tools and reduced State oversight; (2) successor agencies that that have a "Last and Final" ROPS (as discussed below) may expend a portion of proceeds of bonds issued in 2011, which proceeds are currently frozen; (3) pension or State Water Project override revenues that are not pledged to or not needed for redevelopment bond debt service will be returned to the entity that levies the override; (4) agreements relating to State highway improvements and money loaned to successor agencies to pay costs associated with redevelopment dissolution litigation will be considered enforceable obligations; and (5) reentered agreements entered into after the passage of AB 1484 are unenforceable unless entered into for the purpose of providing administrative support.

SB 107 also: (a) requires the preparation of a Recognized Obligation Payment Schedule with respect to enforceable obligations (a "ROPS"), which are required to be submitted to the oversight board and the DOF in accordance with AB 1x26, once a year beginning with the ROPS period that commences on July 1, 2016 (rather than twice a year under current law); (b) establishes an optional "Last and Final" ROPS process beginning in September 2015; under this process, a successor agency that elected to submit a "Last and Final ROPS would no longer submit a periodic ROPS and the enforceable obligations set forth in the "Last and Final" ROPS would be binding on all parties; and (c) clarifies that former tax increment caps and plan limits do not apply for the purposes of paying approved enforceable obligations.

Impact on the City. Significant provisions of AB 1x26, AB 1484, SB 107 and implementing actions of affected parties, including the Successor Agency, the oversight board, the County and the DOF, may be subject to legal challenge, statutory or administrative changes and other clarifications which could affect the impact of the dissolution of redevelopment on the City and its General Fund. The DOF has periodically proposed additional legislation which would modify statutes affecting redevelopment dissolution; it is not known whether additional legislation will be enacted. The full extent of the impact of the implementation of AB 1x26, AB 1484 and SB 107 or potential future legislation on the City's General Fund is unknown at this time. While certain administrative costs previously charged to the Former Agency by the General Fund will no longer be supported by the Successor Agency, certain property tax revenues formerly allocated to the Former Agency will now be received by the City's General Fund.

The City does not believe that it has received material amounts from the Former Agency or the Successor Agency which may be asserted to be in violation of AB 1x26 or AB 1484.

There can be no assurance that the City and the Successor Agency will not enter into additional loan agreements in the future to enable the Successor Agency to meet its payment obligations in future years.

Successor Agency Obligations to the General Fund. Although AB 1x26 generally invalidates agreements between host cities and their former redevelopment agencies, provision is made for the enforcement of agreements entered into with respect to obligations which meet certain specified criteria. The City believes that the Successor Agency's payment obligations under a note relating to the Moreno Valley Mall at Towngate (the "Towngate Regional Mall Note") and miscellaneous other advances (the "Other Advances") to the Former Agency, each as described below, constitute enforceable obligations of the Successor Agency. The City expects that the Successor Agency will continue to be able to apply tax increment revenues to the payment of such obligations. The City has listed the Towngate Regional Mall Note and the Other Advances in its ROPS, and such obligations have been approved as enforceable obligations by the Successor Agency's oversight board and the DOF. However, there can be no assurance that such entities, the State Controller, other State or County bodies implementing the dissolution of redevelopment or a court will not disagree with the City's interpretation and seek to prohibit the Successor Agency from making the payments on the Towngate Regional Mall Note and the Other Advances in the future or that additional legislation could be enacted which will not be consistent with the City's interpretation.

As of June 30, 2014, the Towngate Regional Mall Note was outstanding in the principal of $13,000,000. The Towngate Regional Mall Note originated from a participation agreement (as amended) whereby the Former Agency acquired certain parcels within the Moreno Valley Mall at Towngate for subsequent transfer to anchor tenants. The Towngate Regional Mall Note bears interest at the rate of 7.25% per annum and is payable from the property tax increment and up to 50% of the sales tax revenues generated from the acquired parcels. In Fiscal Year 2004, the City purchased the rights to the Towngate Regional Mall Note from the holder thereof and, thereafter, has received the associated interest and principal payments related thereto. Through negotiations with the DOF, the City has reached an agreement which amends the terms of the Towngate Regional Mall Note such that $1,400,000 will now be paid annually to the City from revenues in the Redevelopment Property Tax Trust Fund maintained by the County Auditor-Controller with respect to the former redevelopment project areas within the City through December 2035. On September 23, 2014 and September 24, 2014, respectively, the Successor Agency and the Successor Agency's oversight board approved resolutions that incorporate terms of the agreement reached between the City and the DOF. Such resolutions provided for the restructuring of the Towngate Regional Mall Note payment schedule for submission to the DOF. The restructured payment schedule was approved as part of the 2014/15B ROPS on November 15, 2014.

As of June 30, 2014, the Other Advances were outstanding in the principal amount of $652,248. The Other Advances were used by the Former Agency for various redevelopment purposes and are payable from available Successor Agency moneys. The Other Advances bear interest at the rate of 12% but do not have a specific maturity date.

There can be no assurances that AB 1x26, AB 1484 and/or subsequent implementing statutes will not interfere with the receipt by the City from the Successor Agency of the amounts contemplated to be received by the City pursuant to the Towngate Regional Mall Note, the Other Advances or otherwise.

To the extent that the Successor Agency's assets are liquidated for distribution of proceeds to the affected taxing entities, the City currently expects that the City's General Fund will receive approximately 11% of such assets.

Future State Budgets

No prediction can be made by the City as to whether the State will continue to encounter budgetary problems in future years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

There are a number of provisions in the State Constitution that limit the ability of the City to raise and expend tax revenues.

Article XIIIA of the State Constitution

On June 6, 1978, State voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution. The amendment, which added Article XIIIA to the State Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value', or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to December 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after December 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition (55% in the case of certain school facilities). Property taxes subject to Proposition 13 are a significant source of the City's General Fund revenues. See the caption "CITY FINANCIAL INFORMATION."

Legislation enacted by the State Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. Article XIIIA effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

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

Article XIIIB of the State Constitution

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

The City's appropriations have never exceeded the limitation on appropriations under Article XIIIB of the State Constitution.

Proposition 62

A statutory initiative ("Proposition 62") was adopted by the voters of the State at the November 4, 1986 general election which: (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within the jurisdiction; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax is imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988. The requirements imposed by Proposition 62 were upheld by the State Supreme Court in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal.4th 220 (1995).

Proposition 62 applies to the imposition of any taxes or the implementation of any tax increases after its enactment in 1986, but the requirements of Proposition 62 are largely subsumed by the requirements of Proposition 218 for the imposition of any taxes or the effecting of any tax increases after November 5, 1996. See the caption "— Proposition 218" below.

Proposition 218

On November 5, 1996, State voters approved Proposition 218, an initiative measure entitled the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments are deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge may be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (a) the *ad valorem* property tax imposed pursuant to Articles XIII and XIIIA of the State Constitution; (b) any special tax receiving a two-thirds vote pursuant to the State Constitution; and (c) assessments, fees and charges for property related services as provided in Proposition 218. Proposition 218 then goes on to add voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such new provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

Proposition 218 also extended the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City's General Fund.

Although a portion of the City's General Fund revenues are derived from general taxes purported to be governed by Proposition 218 as discussed under the caption "CITY FINANCIAL INFORMATION — Other Taxes," all of such taxes were imposed in accordance with the requirements of Proposition 218. 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 which support the City's General Fund.

Unitary Property

Some amount of property tax revenue of the City is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization (the "SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City) according to statutory formula generally based on the distribution of taxes in the prior year.

Proposition 22

On November 2, 2010, voters in the State approved Proposition 22, which eliminates the State's ability to borrow or shift local revenues and certain State revenues that fund transportation programs. It restricts the State's authority over a broad range of tax revenues, including property taxes allocated to cities (including the City), counties and special districts, the VLF, State excise taxes on gasoline and diesel fuel, the State sales tax on diesel fuel, and the former State sales tax on gasoline. It also makes a number of significant other changes, including restricting the State's ability to use motor vehicle fuel tax revenues to pay debt service on voter-approved transportation bonds.

Proposition 1A

As part of former Governor Schwarzenegger's agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the State Legislature and subsequently approved by the voters as Proposition 1A ("Proposition 1A") at the November 2, 2004 general election. Proposition 1A amended the State Constitution to, among other things, reduce the State Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and vehicle license fee revenues as of November 3, 2004. Beginning with Fiscal Year 2009, the State may borrow up to 8% of local property tax revenues, but only if the Governor proclaims that such action is necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approve the borrowing. The amount borrowed is required to be paid back within three years. The State also will not be able to borrow from local property tax revenues for more than two Fiscal Years within a period of ten Fiscal Years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the Statewide local sales tax.

The Fiscal Year 2010 State budget included a Proposition 1A diversion of $1.935 billion in local property tax revenues from cities, counties, and special districts to the State to offset State general fund spending. Such diverted revenues were required to be repaid, with interest, by no later than June 30, 2013. The amount of the Proposition 1A diversion from the City was $1,307,713. The City participated in the State of California Proposition 1A Receivables Program to securitize its receivable from the State, and, as a result, received the shifted funds in the amount of $1,307,713, without interest, in two installments in 2010 from the California Statewide Communities Development Authority. See the caption "CITY FINANCIAL INFORMATION — Property Taxes."

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The City does not believe that Proposition 26 will adversely affect its General Fund revenues.

Future Initiatives

Articles XIIIA and XIIIB and Propositions 62, 218, 22, 1A and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting the City's current revenues or its ability to raise and expend revenues.

TAX MATTERS

Interest on the Series 2016 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), is of the opinion that interest on the Series 2016 Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Series 2016 Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix C hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2016 Bonds that acquire their Series 2016 Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2016 Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2016 Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2016 Bonds pursuant to this offering for the issue price that is applicable to such Series 2016 Bonds (i.e., the price at which a substantial amount of the Series 2016 Bonds are sold to the public) and who will hold their Series 2016 Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2016 Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series 2016 Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2016 Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2016 Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2016 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2016 Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Series 2016 Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2016 Bonds is less than the amount to be paid at maturity of such Series 2016 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2016 Bonds), the difference may constitute original issue discount ("OID"). U.S. Holders of Series 2016 Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Series 2016 Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Series 2016 Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2016 Bond.

Sale or Other Taxable Disposition of the Series 2016 Bonds. Unless a non-recognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority or other disposition of a Series 2016 Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2016 Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2016 Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2016 Bond (generally, the purchase price paid by the U.S. Holder for the Series 2016 Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2016 Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2016 Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2016 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Taxable Bonds. If the Authority defeases any Series 2016 Bond, the Series 2016 Bond may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Series 2016 Bond.

Information Reporting and Backup Withholding. Payments on the Series 2016 Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2016 Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the Series 2016 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2016 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," payments of principal of, and interest on, any Series 2016 Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the Authority through stock ownership and (2) a bank which acquires such Series 2016 Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Series 2016 Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Series 2016 Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority or a deemed retirement due to defeasance of the Series 2016 Bond) or other disposition of a Series 2016 Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Authority) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2016 Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Series 2016 Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any Series 2016 Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2016 Bond or a financial institution holding the Series 2016 Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 28%.

Foreign Account Tax Compliance Act ("FATCA") — U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code, impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Series 2016 Bonds and sales proceeds of Series 2016 Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current Treasury Regulations, will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016 and (ii) certain "pass-thru" payments no earlier than January 1, 2017. However, the U.S. Treasury Department recently stated its intention to revise the current U.S. Treasury Regulations regarding FATCA to provide that withholding under FATCA generally will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain "pass-thru" payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2016 Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2016 Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

The form of Bond Counsel's proposed opinion with respect to the Series 2016 Bonds is attached hereto in Appendix C.

FINANCIAL ADVISOR

The City has retained Fieldman Rolapp & Associates, Inc., Irvine, California (the "Financial Advisor") as financial advisor in connection with the sale of the Series 2016 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

CERTAIN LEGAL MATTERS

The validity of the Series 2016 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C. Bond Counsel and Disclosure Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2016 Bonds. Certain legal matters will be passed upon for the City and the Authority by Martin Koczanowicz, City Attorney and counsel to the Authority, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the Underwriter by Norton Rose Fulbright US LLP and for the Trustee by its counsel.

ABSENCE OF LITIGATION

To the best knowledge of the City and the Authority, there is no action, suit or proceeding pending or threatened either restraining or enjoining the execution or delivery of the Series 2016 Bonds, the Facilities Lease, the Facilities Sublease or the Trust Agreement, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the City taken with respect to any of the foregoing. There are a number of lawsuits and claims from time to time pending against the City. In the opinion of the City Attorney, and taking into account likely insurance coverage and litigation reserves, there are no lawsuits or claims pending against the City that will materially affect the City's finances so as to impair its ability to pay Base Rental Payments when due.

UNDERWRITING

The Series 2016 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter will purchase the Series 2016 Bonds from the Authority at an aggregate purchase price of $_____________, representing the principal amount of the Series 2016 Bonds, less $_________ of original issue discount and less $_________ of Underwriter's discount.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2016 Bonds to certain dealers (including dealers depositing Series 2016 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

RATINGS

S&P is expected to assign the Series 2016 Bonds the rating of "__" based upon the delivery of the Policy by [INSURER] at the time of issuance of the Series 2016 Bonds. S&P is also expected to assign the Series 2016 Bonds the rating of "__" notwithstanding the delivery of the Policy. There is no assurance that any credit rating given to the Series 2016 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2016 Bonds. The ratings reflect only the views of S&P, and an explanation of the significance of such ratings may be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own.

None of the Authority, the City or the Underwriter makes any representation as to [INSURER]'s creditworthiness and no representation that [INSURER]'s credit rating will be maintained in the future. S&P has previously taken action to downgrade the ratings of certain municipal bond insurers and has published various releases outlining the processes that S&P intends to follow in evaluating the ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a rating affirmation, a change in rating outlook, a review for downgrade or a downgrade. Potential investors are directed to S&P for additional information on S&P's evaluations of the financial guaranty industry and individual financial guarantors, including [INSURER]. See the caption "BOND INSURANCE" for further information relating to [INSURER].

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate of the City, dated as of the date of issuance of the Series 2016 Bonds (the "Disclosure Certificate"), the City has covenanted for the benefit of the holders and Beneficial Owners of the Series 2016 Bonds to provide certain financial information and operating data relating to the District by 270 days following the end of the City Fiscal Year (currently its Fiscal Year ends on June 30) (the "Annual Report"), commencing with the report for the Fiscal Year ended June 30, 2016, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, maintained on the Internet at http://emma.msrb.org. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events are set forth in Appendix D. These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission ("Rule 15c2-12").

The requirement that the City file its audited financial statements as a part of the Annual Report has been included in the Disclosure Certificate solely to satisfy the provisions of Rule 15c2-12. The inclusion of such information does not mean that the Series 2016 Bonds are secured by any resources or property of the City or any entity other than Base Rental Payments. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" and "RISK FACTORS — General Considerations – Security for the Series 2016 Bonds."

The City and its related entities have previously entered into continuing disclosure undertakings under Rule 15c2-12 in connection with the issuance of municipal obligations. In the past five years, the City and its related entities failed to file certain event notices required by their respective continuing disclosure undertakings on a timely basis relating to bond insurer rating downgrades of which the City was unaware. The City has filed a corrective notice regarding such bond insurer rating downgrades. In addition, the City filed a notice of defeasance of the Authority's 2005 Lease Revenue Bonds in July 2015, approximately 9 months after the defeasance of such obligations.

In order to promote compliance by the City and its related entities, including the Authority and the Former Agency, with their respective continuing disclosure undertakings, the City has retained Willdan Financial Services ("Willdan") to serve as dissemination agent and assist such entities in complying with their continuing disclosure obligations. Willdan will also perform these duties for the land-secured financings involving the City's community facilities districts. Additionally the City has taken the steps to amend its existing debt policy, which has been approved by the City Council, to ensure future compliance with Rule 15c2-12.

Except as disclosed above, the City has not in the past five years failed to comply with such continuing disclosure undertakings in any material respect.

FINANCIAL STATEMENTS OF THE CITY

Included as Appendix B are the audited financial statements of the City as of and for the Fiscal Year ended June 30, 2015, together with the report of the Auditor thereon dated December 7, 2015. Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the City or its report, or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 7, 2015.

MISCELLANEOUS

Summaries of certain documents and reports do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Trust Agreement, the Facilities Lease, the Facilities Sublease and other documents are available, upon request, and upon payment to the City of a charge for copying, mailing and handling, from the Chief Financial Officer of the City at 14177 Frederick Street, P.O. Box 88005, Moreno Valley, California 92552.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2016 Bonds.

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

MORENO VALLEY PUBLIC FINANCING AUTHORITY

By:____
Executive Director

CITY OF MORENO VALLEY

By:____
City Manager

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

[TO COME FROM BOND COUNSEL]

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2015

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

Upon issuance of the Series 2016 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final approving opinion with respect to the Series 2016 Bonds in substantially the following form:

[Date of Delivery]

Moreno Valley Public Financing Authority
Moreno Valley, California

Moreno Valley Public Financing Authority
Lease Revenue Refunding Bonds, Series 2016 (Taxable)
(Final Opinion)

[TO COME FROM BOND COUNSEL]

APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the Series 2016 Bonds, the City proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Moreno Valley (the "City") in connection with the issuance by the Moreno Valley Public Financing Authority (the "Authority") of its $____ Lease Revenue Refunding Bonds, Series 2016 (Taxable) (the "Bonds"). The Bonds are being issued pursuant to a Master Trust Agreement, dated as of December 1, 2015 (the "2015 Master Trust Agreement), by and among the City, the Authority and the Wells Fargo Bank, National Association, as trustee (the "Trustee"), as amended by that certain First Supplement to Master Trust Agreement, dated as of November 1, 2016, by and among the City, the Authority and the Trustee (the "First Supplement to the 2015 Master Trust Agreement," and, together with the 2015 Master Trust Agreement, the "Trust Agreement"). The City covenants and agrees as follows:

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

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

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

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

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

Fiscal Year. The term "Fiscal Year" means the one-year period ending on the last day of June of each year.

Holder. The term "Holder" means a registered owner of the Bonds.

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

Official Statement. The term "Official Statement" means the Official Statement dated November __, 2016 relating to the Bonds.

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

3. Provision of Annual Reports.

(a) The City shall provide not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2016) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

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

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

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

(b) To the extent not included in the audited financial statements provided pursuant to the foregoing Section 4(a), the Annual Report shall contain the following information:

(i) revenues, expenditures, and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year;

(ii) property tax levies and collections for the most recently completed Fiscal Year; and

(iii) outstanding debt of the City for the most recently completed Fiscal Year, including revenue and lease indebtedness.

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

5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies;

2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;

4. substitution of credit or liquidity providers, or their failure to perform;

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);

6. tender offers;

7. defeasances;

8. ratings changes; and

9. bankruptcy, insolvency, receivership or similar proceedings.

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

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

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. modifications to the rights of Bond holders;

3. optional, unscheduled or contingent Bond redemptions;

4. release, substitution or sale of property securing repayment of the Bonds;

5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

7. appointment of a successor or additional trustee or the change of the name of a trustee.

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

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

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

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

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

10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Bond Insurer or any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

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

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Bond Insurer, 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.

Dated: November __, 2016

CITY OF MORENO VALLEY

By: ____
Its: City Manager

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the City and the Underwriter believe to be reliable, but none of the Authority, the City or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2016 Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2016 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2016 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2016 Bonds. The Series 2016 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 will be issued for each annual maturity of the Series 2016 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

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

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 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 Series 2016 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 the Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 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 Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct

Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2016 Bond documents. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2016 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 Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, 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 Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Series 2016 Bond Owner shall give notice to elect to have its Series 2016 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Series 2016 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2016 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Series 2016 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2016 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2016 Bonds to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2016 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2016 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX F

GENERAL INFORMATION REGARDING THE CITY OF MORENO VALLEY AND THE REGION

The following information is presented as general background data. The Series 2016 Bonds are payable solely from the Base Rental Payments under the Facilities Sublease as described in the Official Statement. The taxing power of the City, the State or any political subdivision thereof is not pledged to the payment of the Base Rental Payments or the Series 2016 Bonds.

Location

The City of Moreno Valley (the "City") is centrally located in Southern California, 66 miles east of Los Angeles and 100 miles north of San Diego. The City encompasses approximately 51 square miles of land area in western Riverside County. Geographically, the City is bordered by three low-lying mountain ranges, March Air Reserve Force Base and Lake Perris State Park. The City is situated at the junction of two major highways, California State Highway 60 (the Moreno Valley Freeway) and Interstate 215.

Population

The City is the second largest city in Riverside County with an estimated population of 205,383 as of January 1, 2016. The table below sets forth the total population of the City, the County of Riverside (the "County") and the State of California (the "State").

POPULATION
City of Moreno Valley, County of Riverside and State of California

	Calendar Year				
	2012	***2013***	***2014***	***2015***	***2016***
Moreno Valley	198,353	200,889	202,191	203,696	205,383
Riverside County	2,239,715	2,266,549	2,291,093	2,317,924	2,347,828
California	37,881,357	38,239,207	38,567,459	38,907,642	39,255,883

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2016, with 2010 Census Benchmark. Sacramento, California, May 2016.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2010 through 2015 for the City, the County, the State and the nation as a whole.

CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA AND UNITED STATES
Average Annual Civilian Labor Force, Employment and Unemployment

Year and Area	*Labor Force*	*Employment*(1)	*Unemployment*(2)	*Unemployment Rate (%)*(3)
2010				
City of Moreno Valley	88,000	75,100	12,900	14.7%
Riverside County	976,200	841,100	135,200	13.8%
California	18,336,300	16,091,900	2,244,300	12.2
United States(4)	153,889,000	139,064,000	14,825,000	9.6
2011				
City of Moreno Valley	87,900	75,600	12,300	14.0%
Riverside County	939,600	810,400	129,200	13.8%
State of California	18,417,900	16,249,600	2,168,300	11.8
United States(4)	153,617,000	139,869,000	13,747,000	8.9
2012				
City of Moreno Valley	88,400	77,400	10,900	12.4%
Riverside County	944,500	828,800	115,600	12.3%
State of California	18,519,000	16,589,700	1,929,300	10.4
United States(4)	154,975,000	142,469,000	12,506,000	8.1
2013				
City of Moreno Valley	89,200	79,800	9,400	10.5%
Riverside County	953,200	855,300	97,900	10.3
State of California	18,596,800	16,933,300	1,663,500	8.9
United States(4)	155,389,000	143,929,000	11,460,000	7.4
2014				
City of Moreno Valley	90,100	82,300	7,900	8.7%
Riverside County	1,011,500	928,200	83,400	8.2%
State of California	18,811,400	17,397,100	1,414,300	7.5
United States(4)	155,922,000	146,305,000	9,617,000	6.2
2015				
City of Moreno Valley	91,600	85,100	6,600	7.2%
Riverside County	1,035,200	965,500	69,600	6.7%
State of California	18,981,800	17,798,600	1,183,200	6.2
United States(4)	157,130,000	148,834,000	8,296,000	5.3

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
(4) Not strictly comparable with data for prior years.
Source: California Employment Development Department, March 2015 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

The following tables show the largest employers located in the City and the County as of fiscal year 2015.

CITY OF MORENO VALLEY - MAJOR EMPLOYERS – 2015

Employer	***Number of Employees***
March Air Reserve Base	8,500
Amazon.com, Inc.	7,500
Moreno Valley Unified School District	3,565
Riverside County Regional Medical Center	3,000
Ross Dress for Less / D D's Discounts	1,921
Moreno Valley Mall (excludes major tenants)	1,390
Proctor & Gamble Co	987
Harbor Freight Tools	800
Kaiser Permanente Community Hospital	772
iHerb, Inc.	750

Source: City of Moreno Valley Fiscal Year Ending June 30, 2015 CAFR.

LARGEST EMPLOYERS
County of Riverside
2015

Rank	***Name of Business***	***Employees***	***Type of Business***
1.	County of Riverside	20,684	County Government
2.	March Air Reserve Base	8,500	Military Reserve Base
3.	Stater Bros. Markets	6,900	Supermarkets
4.	Walmart	6,550	Super Store
5.	University of California, Riverside	5,768	University
6.	Kaiser Permanente Riverside Medical Center	5,300	Medical Center
7.	Pechanga Resort & Casino	5,300	Hotel & Casino
8.	Corona Norco Unified School District	4,932	School District
9.	Temecula Valley Unified School District	4,000	School District
10.	Riverside Unified School District	3,871	School District

Source: County of Riverside ‘Comprehensive Annual Financial Report’ for the year ending June 30, 2015.

Industry

Residents of the City find employment throughout the Riverside-San Bernardino-Ontario Labor Market Area. This labor market area, as defined for reporting purposes by the California Employment Development Department, has boundaries coterminous with those of Riverside and San Bernardino Counties. The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2011 through 2015.

RIVERSIDE-SAN BERNARDINO-ONTARIO MSA
INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE

	2011	***2012***	***2013***	***2014***	***2015***
Civilian Labor Force	1,866,200	1,882,900	1,897,000	1,919,900	1,961,800
Civilian Employment	1,623,100	1,665,600	1,710,500	1,763,300	1,832,300
Civilian Unemployment	243,100	217,300	186,500	156,600	129,500
Civilian Unemployment Rate	13.0%	11.5%	9.8%	8.2%	6.6%
Total Farm	14,900	15,000	14,500	14,300	15,100
Total Nonfarm	1,154,500	1,185,200	1,233,300	1,289,300	1,347,400
Total Private	927,000	960,600	1,008,100	1,060,500	1,114,000
Goods Producing	145,200	150,500	158,600	170,200	182,100
Mining and Logging	1,000	1,200	1,200	1,300	1,300
Construction	59,100	62,600	70,000	77,600	85,200
Manufacturing	85,100	86,700	87,300	91,300	95,600
Service Providing	1,009,300	1,034,700	1,074,700	1,119,100	1,165,200
Trade, Transportation and Utilities	275,600	287,600	299,700	314,900	332,500
Wholesale Trade	49,200	52,200	56,400	58,900	61,700
Retail Trade	158,500	162,400	164,800	169,400	173,500
Transportation, Warehousing and Utilities	67,900	73,000	78,400	86,600	97,300
Information	12,200	11,700	11,500	11,300	11,300
Financial Activities	39,500	40,200	41,300	42,300	43,200
Professional and Business Services	126,000	127,500	132,400	139,300	144,400
Educational and Health Services	165,400	173,600	187,600	194,800	205,000
Leisure and Hospitality	124,000	129,400	135,900	144,800	151,500
Other Services	39,100	40,100	41,100	43,000	44,000
Government	227,500	224,600	225,200	228,800	233,400
Total, All Industries	1,169,400	1,200,200	1,247,800	1,303,700	1,362,400

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix D.

Source: State of California, Employment Development Department, March 2015 Benchmark.

Assessed Valuation

The table below sets forth the City's assessed valuation of property for Fiscal Years 2010 through 2015.

ASSESSED VALUATION OF TAXABLE PROPERTY
City of Moreno Valley
Fiscal Years 2010 to 2015
(Dollars in Thousands)

Fiscal Year Ended June 30	*Secured Value*	*Unsecured Value*	*Total Assessed and Estimated Full Value*
2010	$10,625,910	$236,904	$10,862,814
2011	10,516,338	238,786	10,755,124
2012	10,561,585	271,336	10,832,921
2013	10,646,415	342,094	10,988,509
2014	11,042,637	352,337	11,394,974
2015	12,102,252	366,400	12,468,652

Source: City of Moreno Valley Comprehensive Annual Financial Report for the year ending June 30, 2015.

Tax Levy and Tax Collection

Below is a summary of the property tax levies and total collections for Fiscal Years 2010 through 2015.

PROPERTY TAX LEVIES AND COLLECTIONS
City of Moreno Valley
Fiscal Years Ending June 30, 2010 to June 30, 2015

		Collected within the Fiscal Year of Levy			*Total Collections to Date*	
Fiscal Year Ended June 30	*Taxes Levied*	*Amount*	*Percent of Levy*	*Collections in Subsequent Years*	*Amount*	*Percent of Levy*
2010	$35,573,656	$35,492,693	99.77%	$80,963	$35,573,656	100.00%
2011	33,713,334	33,658,226	99.84	55,108	33,713,334	100.00
2012	33,226,437	33,172,713	99.84	53,724	33,226,437	100.00
2013	25,630,602	25,580,901	99.81(1)	49,701	25,630,602	100.00
2014	26,906,254	26,862,040	99.84	44,214	26,906,254	100.00
2015	26,455,986	26,154,116	98.86	N/A	26,154,116	98.86

(1) Beginning in Fiscal Year 2013, redevelopment tax increment was no longer included in the calculation for the levy and the collections.

Source: City of Moreno Valley Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

Largest Taxpayers

The principal property taxpayers in the City for 2015 are as follows:

Taxpayer	***2015 Assessed Valuation***	***% of Total Assessed Valuation***
HF Logistics SKX T1 (Skechers)	$ 206,076,264	1.69%
Ross Dress for Less, Inc.	136,318,771	1.12
Walgreen Company	118,966,213	0.97
IIT Inland Empire Logistics Center	118,635,616	0.97
Stonegate 552	82,989,303	0.68
First Industrial LP	81,229,404	0.67
Kaiser Foundation Hospitals	80,446,780	0.66
Broadstone at Valley View	77,000,000	0.63
2250 Town Circle Holdings	73,374,738	0.60
I 215 Logistics	56,220,375	0.46
TOTAL:	$ 1,031,257,464	8.45%

Source: City of Moreno Valley Fiscal Year Ending June 30, 2015 CAFR.

Building Activity

In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2011 through 2015 are shown in the following tables for both the County and the City.

BUILDING PERMIT VALUATIONS
County of Riverside
2011-2015
(Valuation in Thousands of Dollars)

	2011	***2012***	***2013***	***2014***	***2015***
Valuation ($000):					
Residential	$873,411	$1,079,405	$1,375,593	$1,621,751	$1,536,742
Non-residential	559,398	657,596	790,000	814,990	911,465
Total*	$1,432,809	$1,737,001	$2,165,593	$2,436,741	$2,448,207
Residential Units:					
Single family	2,659	3,720	4,716	5,007	5,007
Multiple family	1,061	909	1,427	1,931	1,189
Total	3,720	4,629	6,143	6,938	6,196

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
City of Moreno Valley
2011-2015

	2011	*2012*	*2013*	*2014*	*2015*
Valuation ($000's)					
Residential	$ 8,179.4	$16,645.8	$ 49,679.0	$ 15,229.2	$ 46,986
Non-Residential	77,090.8	12,776.6	109,568.3	160,366.0	101,190
Total	$85,270.2	$29,422.4	$159,247.3	$175,595.2	$148,176
Units					
Single Family	23	12	133	46	133
Multiple Family	0	54	60	0	0
Total	23	66	193	46	133

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

Commercial Activity

Trade outlet and retail sales activity are summarized below based on reports of the State Board of Equalization.

TOTAL TAXABLE TRANSACTIONS AND NUMBER OF SALES PERMITS
City of Moreno Valley
2010 through 2014
(Dollars in Thousands)

Calendar Year	*Total Retail Stores*	*Total Retail Stores Permits*	*Total Taxable Transactions*	*Total Issued Permits*
2010	$ 994,464	1,652	$1,067,546	2,154
2011	1,092,691	1,693	1,172,223	2,198
2012	1,185,877	1,732	1,275,922	2,231
2013	1,240,243	1,616	1,349,129	2,116
2014	1,307,780	1,688	1,475,946	2,181

Source: California State Board of Equalization.

RETAIL SALES
City of Moreno Valley
2010 through 2014
(Dollars in Thousands)

Type of Business	*2010*	*2011*	*2012*	*2013*	*2014*
Apparel Stores	$ 72,118	$ 74,107	$ 87,871	$ 98,978	$ 104,758
General Merchandise Stores	239,866	250,607	255,502	258,862	267,507
Food Stores	81,341	82,516	84,447	84,981	90,389
Eating/Drinking Places	150,713	161,054	174,706	186,885	203,353
Home Furnishing	22,901	23,044	16,927	12,361	11,764
Building Materials	78,985	79,177	85,822	91,247	99,220
Auto Dealers	126,172	150,504	205,299	230,751	252,500
Service Stations	163,294	197,564	199,696	197,899	199,145
Other Retail Stores	59,075	74,118	75,607	78,280	79,144
Retail Stores Totals	$ 994,464	$ 1,092,691	$ 1,185,877	$ 1,240,243	$ 1,307,780
All Other Outlets	73,082	79,532	90,045	108,886	161,167
Total All Outlets	$ 1,067,546	$ 1,172,223	$ 1,275,922	$ 1,349,129	$ 1,475,946

Source: California State Board of Equalization.

The table below present taxable sales for the years 2007 through 2014 for the County.

TAXABLE SALES
County of Riverside
2007-2014
(Dollars in Thousands)

Year	*Permits*	*Taxable Transactions*
2007	45,279	$29,023,609
2008	46,272	26,003,595
2009	42,765	22,227,877
2010	45,688	23,152,780
2011	46,886	25,641,497
2012	48,316	28,096,009
2013	46,805	30,065,467
2014	48,453	32,035,687

Source: California State Board of Equalization, Research and Statistics Division.

Personal Income

The following tables show the personal income and per capita personal income for the City, County, State of California and United States from 2010 through 2015.

PERSONAL INCOME
City of Moreno Valley, County of Riverside, State of California, and United States
2010-2015[1]

Year	*City of Moreno Valley*	*County of Riverside*	*California*	*United States*
2010	$3,836,808	$65,532,154	$1,583,446,730	$12,459,613,000
2011	3,463,419	69,531,143	1,691,002,503	13,233,436,000
2012	3,491,186	72,303,147	1,812,314,643	13,904,485,000
2013	3,615,062	74,657,667	1,849,505,496	14,064,468,000
2014	3,612,548	78,239,388	1,939,527,656	14,683,147,000
2015	3,649,385	--[1]	2,061,337,141	15,324,108,725

Note: Dollars in Thousands.
(1) 2015 figures not yet available for County of Riverside.
Source: U.S. Department of Commerce, Bureau of Economic Analysis and City of Moreno Valley Fiscal Year Ending June 30, 2015 CAFR.

PER CAPITA PERSONAL INCOME[1]
City of Moreno Valley, County of Riverside, State of California, and United States
2009-2015[2]

Year	*City of Moreno Valley*	*County of Riverside*	*California*	*United States*
2010	$19,230	$29,869	$42,411	$40,277
2011	17,519	29,753	44,852	42,453
2012	17,425	31,879	47,614	44,266
2013	18,246	32,503	48,125	44,438
2014	18,130	33,590	49,985	46,049
2015	18,186	--[2]	52,651	47,669

(1) Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
(2) 2015 figures not yet available for County of Riverside.
Source: U.S. Department of Commerce, Bureau of Economic Analysis and City of Moreno Valley Fiscal Year Ending June 30, 2015 CAFR.

Agriculture

Agriculture is a significant source of income in the County. In 2015, principal agricultural products were milk, nursery stock, table grapes, hay, lemons, bell peppers, eggs, grapefruit, dates and avocados.

Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border. The County, and all of Southern California, is experiencing a severe drought. The County cannot predict the impact that a prolonged drought would have on agricultural production in the County.

The following table sets forth the value of agricultural production in the County for the years 2011 through 2015.

COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION

	2011	*2012*	*2013*	*2014*	*2015*
Citrus Fruits	$ 119,942,513	$ 125,711,000	$ 142,404,000	$ 170,891,000	$ 199,772,000
Trees and Vines	232,649,262	217,214,000	232,536,000	223,593,000	234,928,000
Vegetables, Melons, Misc.	278,628,295	286,234,000	340,407,000	337,404,000	327,199,000
Field and Seed Crops	149,198,052	147,352,000	154,582,000	156,575,000	122,794,000
Nursery	200,154,964	190,878,100	191,215,000	172,910,000	158,648,000
Apiculture	4,844,400	4,983,400	4,715,000	4,819,000	4,897,000
Aquaculture	4,808,250	4,205,000	2,262,000	5,078,000	5,397,000
Livestock and Poultry	292,030,380	276,553,000	259,683,000	290,746,000	260,015,000
Grand Total	$ 1,282,256,116	$ 1,253,130,000	$ 1,327,804,000	$ 1,362,016,000	$ 1,313,650,000

Source: Riverside County Agricultural Commissioner.

Utilities

The City receives water service from the Eastern Municipal Water District and Box Springs Mutual Water Company. The City is also serviced by Frontier (formerly Verizon) and Southern California Gas Company. Electrical service for most of the City's developed areas is provided by Southern California Edison. The City has established Moreno Valley Electric Utility ("MVU") that is providing service for the remainder of the south and east ends of the City.

Transportation

The City is centrally located within the Inland Empire. Highways passing through the City include California State Highway 60 and Interstate 215. California State Highway 60 connects in Riverside to California State Highway 91, which connects to Orange County and Long Beach. California State Highway 60 and Interstate 215 provide access Interstate 10 within 15 miles of the City. Rail service in the City includes the Burlington Northern Santa Fe branch line. The main line service in Riverside has stop locations at the Union Pacific, Southern Pacific and Burlington Northern Santa Fe stations. Metrolink commuter rail service is available in Perris and in Riverside to Los Angeles and Orange County.

Ontario International Airport (owned and operated by Los Angeles World Airports), approximately 31 miles northwest of the City, is served by AeroMexico, Alaska Airlines, American Airlines, Delta Air Lines, Southwest Airlines, United Airlines/United Express, US Airways and Volaris. Various airlines provide freight services at Ontario International Airport. Riverside Municipal Airport has general aviation facilities with 5,400 feet and 1,600 feet runways.

Education

The City is served by two public school districts: Moreno Valley Unified School District with an approximate enrollment of 35,068 students and Val Verde Unified School District with an approximate enrollment of 20,500 students. Moreno Valley Unified School District has 23 elementary schools, six middle schools, four comprehensive high schools, one charter school, one adult school, one continuation school, a community day school, one pre-school and one academic center. Val Verde Unified School District serves the communities of Perris, Mead Valley and Moreno Valley. Val Verde Unified District has one pre-school, 13 elementary schools, four middle schools, three high schools and one continuation high school.

The City is also home to Moreno Valley Community College.

Recreation and Culture

Lake Perris State Park offers boating, swimming, water-skiing, fishing and camping within its 8,300 acres. Box Springs Mountain Park provides trails for hiking and horseback riding. The City centralized location allows residents to visit nearby mountain resorts, Palm Springs and the beach cities with relative ease. The City's park system consists of 29 parks with 328 acres. The City offers a variety of recreational activities for adults and youth. The City is served by the City's library system.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

TO BE RECORDED AND WHEN RECORDED
RETURN TO:
Orrick, Herrington & Sutcliffe LLP
777 South Figueroa Street, 32nd Floor
Los Angeles, California 90017
Attention: William W. Bothwell

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

FIRST AMENDMENT TO MASTER FACILITIES LEASE

by and between

CITY OF MORENO VALLEY

and

MORENO VALLEY PUBLIC FINANCING AUTHORITY

Dated as of [DATED DATE]

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FIRST AMENDMENT TO
MASTER FACILITIES LEASE

THIS FIRST AMENDMENT TO MASTER FACILITIES LEASE (this "First Amendment to Master Facilities Lease") executed and entered into as of [DATED DATE], is by and between the CITY OF MORENO VALLEY (the "City"), a city organized and validly existing under the Constitution and general laws of the State of California, as lessor, and the MORENO VALLEY PUBLIC FINANCING AUTHORITY, a public entity and agency (duly organized and existing pursuant to an Agreement entitled "Joint Exercise of Powers Agreement" by and between the City of Moreno Valley and the former Redevelopment Agency of the City of Moreno Valley), as lessee.

RECITALS

WHEREAS, the City previously leased certain real property and improvements thereon (the "Facilities") to the Authority pursuant to a Master Facilities Lease, dated as of December 1, 2015 (the "2015 Master Facilities Lease"), which was recorded in the official records of the County of Riverside (the "Official Records") on December 9, 2015, as instrument number 2015-0533682;

WHEREAS, the Authority subleased the Facilities back to the City pursuant to a Master Facilities Sublease, dated as of December 1, 2015 (the "2015 Master Facilities Sublease"), which was recorded in the Official Records on December 9, 2015, as instrument number 2015-0533683;

WHEREAS, the Authority issued its Lease Revenue Bonds, Series 2015 (Taxable) (the "Series 2015 Bonds") pursuant to a Master Trust Agreement, dated as of December 1, 2015, (the "2015 Master Trust Agreement") between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), and in accordance with the Joint Exercise of Powers Agreement and its powers thereunder and under the laws of the State of California;

WHEREAS, the proceeds of the Series 2015 Bonds were applied by the City to finance the 2015 Project, as defined in the 2015 Master Trust Agreement;

WHEREAS, the Authority intends to issue its Lease Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds") pursuant to a First Supplement to Master Trust Agreement, to supplement and amend the 2015 Master Trust Agreement, as so supplemented and amended the "2016 Master Trust Agreement," or simply the "Trust Agreement," and in accordance with the Joint Exercise of Powers Agreement and its powers thereunder and under the laws of the State of California;

WHEREAS, the proceeds of the Series 2016 Bonds will be applied by the City to refund the remaining Outstanding Moreno Valley Public Financing Authority 2007 Taxable Lease Revenue Bonds (the "2007 Refunded Bonds"), referred to herein as the "2016 Refunding Project";

WHEREAS, in order to accomplish such 2016 Refunding Project, the Authority and the City are entering into this First Amendment to Master Facilities Lease in order to amend the

2015 Master Facilities Lease, as so amended, the "2016 Master Facilities Lease," or simply the "Lease," (i) to add certain additional real property and improvements thereon to Exhibit A of the 2015 Master Facilities Lease and (ii) to make certain other modifications in order to provide for the execution and delivery of the Series 2016 Bonds in accordance with the provisions of the 2016 Master Trust Agreement;

WHEREAS, in order to accomplish such 2016 Refunding Project, the Authority and the City are also entering into a First Amendment to Master Facilities Sublease in order to amend the 2015 Master Facilities Sublease, as so amended, the "2016 Master Facilities Sublease," or simply the "Sublease," (i) to add certain additional real property and improvements thereon to Exhibit A of the 2015 Master Facilities Sublease, (ii) to increase the amount of base rental payments payable thereunder and (iii) to make certain other modifications in order to provide for the execution and delivery of the Series 2016 Bonds in accordance with the provisions of the 2016 Master Trust Agreement; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this First Amendment to Master Facilities Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this First Amendment to Master Facilities Lease;

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

PART 1

PARTICULAR AMENDMENTS

Part 1.1. Amendments to Section 2. Section 3 of the 2015 Master Facilities Lease is amended to read as follows:

> The Authority shall pay to the City as and for rental hereunder, including but not limited to the payment of rent for the Facilities, the sum of $1.00, which, together with the execution and delivery of the Sublease, shall constitute full consideration for this Lease over its term, and which amount the City finds and determines is full and fair rental for the Facilities.

Part 1.2. Amendment to Exhibit A. Exhibit A to the 2015 Master Facilities Lease is hereby amended to read in full as set forth in Exhibit A hereto.

PART 2

MISCELLANEOUS

Part 2.1. Effect of First Amendment to Master Facilities Lease. This First Amendment to Master Facilities Lease and all of the terms and provisions herein contained shall form part of the 2015 Master Facilities Lease as fully and with the same effect as if all such terms and provisions had been set forth in the 2015 Master Facilities Lease. The 2015 Master Facilities Lease is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as heretofore amended and supplemented, and as amended and supplemented hereby. If there shall be any conflict between the terms of this First Amendment to Master Facilities Sublease and the terms of the 2015 Master Facilities Lease (as in effect on the day prior to the effective date of this First Amendment to Master Facilities Lease), the terms of this First Amendment to Master Facilities Lease shall prevail.

Part 2.2. Execution in Counterparts. This First Amendment to Master Facilities Lease may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Part 2.3. Effective Date. This First Amendment to Master Facilities Lease shall become effective upon the Series 2016 Closing Date (as defined in the 2016 Master Trust Agreement).

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Master Facilities Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF MORENO VALLEY,
Lessor

By ____
Michelle Dawson, City Manager

MORENO VALLEY PUBLIC FINANCING AUTHORITY,
Lessee

By ____
Michelle Dawson, Executive Director

EXHIBIT A

DESCRIPTION OF THE FACILITIES

Real property in the City of Moreno Valley, County of Riverside, State of California, described as follows:

PARCEL 1 OF PARCEL MAP 17864, IN THE CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 129, PAGES 79 THROUGH 82, INCLUSIVE, OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT FROM THE ABOVE DESCRIBED PARCEL, THAT PORTION DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF SAID PARCEL 1; THENCE ON THE SOUTHERLY LINE OF SAID PARCEL 1, SOUTH 88° 40' 53" EAST, 1,036.43 FEET TO A POINT ON THE WESTERLY LINE OF SAID PARCEL 1, SAID POINT ALSO BEING ON THE EASTERLY LINE OF PARCEL 10 OF SAID PARCEL MAP NO. 17864; THENCE ON SAID EASTERLY LINE OF SAID PARCEL NO. 10 NORTH 10° 06' 25" WEST, 60.02 FEET; THENCE NORTH 88° 40' 53" EAST, 1,036.43 FEET TO A POINT ON THE EASTERLY LINE OF SAID PARCEL 1, SAID POINT ALSO BEING ON THE WESTERLY SIDELINE OF FREDERICK STREET; THENCE SOUTHERLY ON SAID EASTERLY LINE SOUTH 00° 06' 28" EAST, 60.02 FEET TO THE POINT OF BEGINNING.

APN: 297-140-046-3 and 297-140-047-4

[KITCHING SUBSTATION LEGAL DESCRIPTION]

[MORENO BEACH SUBSTATION LEGAL DESCRIPTION]

TO BE RECORDED AND WHEN RECORDED
RETURN TO:
Orrick, Herrington & Sutcliffe LLP
777 South Figueroa Street, 32nd Floor
Los Angeles, California 90017
Attention: William W. Bothwell

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

FIRST AMENDMENT TO MASTER FACILITIES SUBLEASE

by and between

MORENO VALLEY PUBLIC FINANCING AUTHORITY

and

CITY OF MORENO VALLEY

Dated as of [DATED DATE]

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DHSUSA:759255506.3

FIRST AMENDMENT TO
MASTER FACILITIES SUBLEASE

THIS FIRST AMENDMENT TO MASTER FACILITIES SUBLEASE (this "First Amendment to Master Facilities Sublease") executed and entered into as of [DATED DATE], is by and between the MORENO VALLEY PUBLIC FINANCING AUTHORITY, a public entity and agency (duly organized and existing pursuant to an Agreement entitled "Joint Exercise of Powers Agreement" by and between the City of Moreno Valley and the former Redevelopment Agency of the City of Moreno Valley), as lessor, and the CITY OF MORENO VALLEY (the "City"), a city organized and validly existing under the Constitution and general laws of the State of California, as lessee.

RECITALS

WHEREAS, the City previously leased certain real property and improvements thereon (the "Facilities") to the Authority pursuant to a Master Facilities Lease, dated as of December 1, 2015 (the "2015 Master Facilities Lease"), which was recorded in the official records of the County of Riverside (the "Official Records") on December 9, 2015, as instrument number 2015-0533682;

WHEREAS, the Authority subleased the Facilities back to the City pursuant to a Master Facilities Sublease, dated as of December 1, 2015 (the "2015 Master Facilities Sublease"), which was recorded in the Official Records on December 9, 2015, as instrument number 2015-0533683;

WHEREAS, the Authority issued its Lease Revenue Refunding Bonds, Series 2015 (Taxable) (the "Series 2015 Bonds") pursuant to a Master Trust Agreement, dated as of December 1, 2013, (the "2015 Master Trust Agreement") between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), and in accordance with the Joint Exercise of Powers Agreement and its powers thereunder and under the laws of the State of California;

WHEREAS, the proceeds of the Series 2015 Bonds were applied by the City to finance certain Facilities, as defined in the 2015 Master Facilities Sublease;

WHEREAS, the Authority intends to issue its Lease Revenue Refunding Bonds, Series 2016 (Taxable) (the "Series 2016 Bonds") pursuant to a First Supplement to Master Trust Agreement to supplement and amend the 2015 Master Trust Agreement, as so supplemented and amended the "2016 Master Trust Agreement," or simply the "Trust Agreement," and in accordance with the Joint Exercise of Powers Agreement and its powers thereunder and under the laws of the State of California;

WHEREAS, the proceeds of the Series 2016 Bonds will be applied by the City to refund the remaining Outstanding Moreno Valley Public Financing Authority 2007 Taxable Lease Revenue Bonds (the "2007 Refunded Bonds"), referred to herein as the "2016 Refunding Project";

WHEREAS, in order to accomplish such 2016 Refunding Project, the Authority and the City are entering into a First Amendment to Master Facilities Lease in order to amend the 2015 Master Facilities Lease, as so amended, the "2016 Master Facilities Lease," or simply the "Lease," (i) to add certain additional real property and improvements thereon to Exhibit A of the 2015 Master Facilities Sublease and (ii) to make certain other modifications in order to provide for the execution and delivery of the Series 2016 Bonds in accordance with the provisions of the 2016 Master Trust Agreement;

WHEREAS, in order to accomplish such 2016 Refunding Project, the Authority and the City are entering into this First Amendment to Master Facilities Sublease in order to amend the 2015 Master Facilities Sublease, as so amended, the "2016 Master Facilities Sublease," or simply the "Sublease," (i) to add certain additional real property and improvements thereon to Exhibit A of the 2015 Master Facilities Sublease, (ii) to increase the amount of Base Rental Payments payable thereunder and (iii) to make certain other modifications in order to provide for the execution and delivery of the Series 2016 Bonds in accordance with the provisions of the 2016 Master Trust Agreement;

WHEREAS, the Authority and the City have determined that the sum of Base Rental Payments, including Base Rental Payments payable as provided herein, in any year is not in excess of the annual fair rental value of the Facilities; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this First Amendment to Master Facilities Sublease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this First Amendment to Master Facilities Sublease;

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

PART 1

PARTICULAR AMENDMENTS

Part 1.1. Amendments to Section 1.01. Section 1.01 of the 2015 Master Facilities Sublease is hereby amended by adding thereto the following definitions:

Original 2015 Base Rental Payments

The term "Original 2015 Base Rental Payments" means the portion of the Base Rental Payments set forth under the caption "Original 2015 Base Rental Payment Schedule" on Exhibit B hereto.

Series 2016 Base Rental Payments

The term "Series 2016 Base Rental Payments" means the portion of the Base Rental Payments set forth under the caption "Series 2016 Base Rental Payment Schedule" on Exhibit B hereto.

Part 1.2. Amendments to Section 4.01. Section 4.01 of the 2015 Master Facilities Sublease is amended to read as follows:

> The parties hereto agree that the proceeds of the Series 2016 Bonds will be used to refund the 2007 Refunded Bonds. Proceeds of any Additional Bonds will be applied in accordance with a supplement to this Sublease.

Part 1.3. Amendment to Exhibit A. Exhibit A to the 2015 Master Facilities Sublease is hereby amended to read in full as set forth in Exhibit A hereto.

Part 1.4. Amendment to Exhibit B. Exhibit B to the 2015 Master Facilities Sublease is hereby amended to read in full as set forth in Exhibit B hereto.

PART 2

MISCELLANEOUS

Part 2.1. Effect of First Amendment to Master Facilities Sublease. This First Amendment to Master Facilities Sublease and all of the terms and provisions herein contained shall form part of the 2015 Master Facilities Sublease as fully and with the same effect as if all such terms and provisions had been set forth in the 2015 Master Facilities Sublease. The 2015 Master Facilities Sublease is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as heretofore amended and supplemented, and as amended and supplemented hereby. If there shall be any conflict between the terms of this First Amendment to Master Facilities Sublease and the terms of the 2015 Master Facilities Sublease (as in effect on the day prior to the effective date of this First Amendment to Master Facilities Sublease), the terms of this First Amendment to Master Facilities Sublease shall prevail.

Part 2.2. Execution in Counterparts. This First Amendment to Master Facilities Sublease may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Part 2.3. Effective Date. This First Amendment to Master Facilities Sublease shall become effective upon the Series 2016 Closing Date (as defined in the 2016 Master Trust Agreement).

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Master Facilities Sublease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

MORENO VALLEY PUBLIC FINANCING AUTHORITY,
Lessor

By ____
Michelle Dawson, Executive Director

CITY OF MORENO VALLEY,
Lessee

By ____
Michelle Dawson, City Manager

EXHIBIT A

DESCRIPTION OF THE FACILITIES

Real property in the City of Moreno Valley, County of Riverside, State of California, described as follows:

PARCEL 1 OF PARCEL MAP 17864, IN THE CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 129, PAGES 79 THROUGH 82, INCLUSIVE, OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT FROM THE ABOVE DESCRIBED PARCEL, THAT PORTION DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF SAID PARCEL 1; THENCE ON THE SOUTHERLY LINE OF SAID PARCEL 1, SOUTH 88° 40' 53" EAST, 1,036.43 FEET TO A POINT ON THE WESTERLY LINE OF SAID PARCEL 1, SAID POINT ALSO BEING ON THE EASTERLY LINE OF PARCEL 10 OF SAID PARCEL MAP NO. 17864; THENCE ON SAID EASTERLY LINE OF SAID PARCEL NO. 10 NORTH 10° 06' 25" WEST, 60.02 FEET; THENCE NORTH 88° 40' 53" EAST, 1,036.43 FEET TO A POINT ON THE EASTERLY LINE OF SAID PARCEL 1, SAID POINT ALSO BEING ON THE WESTERLY SIDELINE OF FREDERICK STREET; THENCE SOUTHERLY ON SAID EASTERLY LINE SOUTH 00° 06' 28" EAST, 60.02 FEET TO THE POINT OF BEGINNING.

APN: 297-140-046-3 and 297-140-047-4

[KITCHING SUBSTATION LEGAL DESCRIPTION]

[MORENO BEACH SUBSTATION LEGAL DESCRIPTION]

EXHIBIT B

BASE RENTAL PAYMENT SCHEDULE

Date	Principal	Interest	Total
May 1, 2017			
November 1, 2017			
May 1, 2018			
November 1, 2018			
May 1, 2019			
November 1, 2019			
May 1, 2020			
November 1, 2020			
May 1, 2021			
November 1, 2021			
May 1, 2022			
November 1, 2022			
May 1, 2023			
November 1, 2023			
May 1, 2024			
November 1, 2024			
May 1, 2025			
November 1, 2025			
May 1, 2026			
November 1, 2026			
May 1, 2027			
November 1, 2027			
May 1, 2028			
November 1, 2028			
May 1, 2029			
November 1, 2029			
May 1, 2030			
November 1, 2030			
May 1, 2031			
November 1, 2031			
May 1, 2032			
November 1, 2032			
May 1, 2033			
November 1, 2033			
May 1, 2034			
November 1, 2034			
May 1, 2035			
November 1, 2035			

Date	Principal	Interest	Total
May 1, 2036			
November 1, 2036			
May 1, 2037			
November 1, 2037			
May 1, 2038			
November 1, 2038			
May 1, 2039			
November 1, 2039			
May 1, 2040			
November 1, 2040			
May 1, 2041			
November 1, 2041			
May 1, 2042			
November 1, 2042			
May 1, 2043			
November 1, 2043			
May 1, 2044			
November 1, 2044			
May 1, 2045			
November 1, 2045			

ORIGINAL BASE RENTAL PAYMENT SCHEDULE

Date	Principal	Interest	Total
May 1, 2017	--	229,596.88	229,596.88
November 1, 2017	200,000.00	229,596.88	429,596.88
May 1, 2018	--	227,846.88	227,846.88
November 1, 2018	205,000.00	227,846.88	432,846.88
May 1, 2019	--	225,540.63	225,540.63
November 1, 2019	210,000.00	225,540.63	435,540.63
May 1, 2020	--	222,784.38	222,784.38
November 1, 2020	215,000.00	222,784.38	437,784.38
May 1, 2021	--	219,559.38	219,559.38
November 1, 2021	220,000.00	219,559.38	439,559.38
May 1, 2022	--	216,121.88	216,121.88
November 1, 2022	225,000.00	216,121.88	441,121.88
May 1, 2023	--	212,325.00	212,325.00
November 1, 2023	235,000.00	212,325.00	447,325.00
May 1, 2024	--	208,065.63	208,065.63
November 1, 2024	240,000.00	208,065.63	448,065.63
May 1, 2025	--	203,565.63	203,565.63
November 1, 2025	250,000.00	203,565.63	453,565.63
May 1, 2026	--	198,565.63	198,565.63
November 1, 2026	260,000.00	198,565.63	458,565.63
May 1, 2027	--	193,365.63	193,365.63
November 1, 2027	270,000.00	193,365.63	463,365.63
May 1, 2028	--	187,796.88	187,796.88
November 1, 2028	285,000.00	187,796.88	472,796.88
May 1, 2029	--	181,740.63	181,740.63
November 1, 2029	295,000.00	181,740.63	476,740.63
May 1, 2030	--	175,471.88	175,471.88
November 1, 2030	305,000.00	175,471.88	480,471.88
May 1, 2031	--	168,800.00	168,800.00
November 1, 2031	320,000.00	168,800.00	488,800.00
May 1, 2032	--	161,200.00	161,200.00
November 1, 2032	335,000.00	161,200.00	496,200.00
May 1, 2033	--	153,243.75	153,243.75
November 1, 2033	350,000.00	153,243.75	503,243.75
May 1, 2034	--	144,931.25	144,931.25
November 1, 2034	$370,000.00	$144,931.25	$514,931.25
May 1, 2035	--	136,143.75	136,143.75
November 1, 2035	385,000.00	136,143.75	521,143.75
May 1, 2036	--	127,000.00	127,000.00
November 1, 2036	405,000.00	127,000.00	532,000.00

Date	Principal	Interest	Total
May 1, 2037	--	116,875.00	116,875.00
November 1, 2037	425,000.00	116,875.00	541,875.00
May 1, 2038	--	106,250.00	106,250.00
November 1, 2038	445,000.00	106,250.00	551,250.00
May 1, 2039	--	95,125.00	95,125.00
November 1, 2039	470,000.00	95,125.00	565,125.00
May 1, 2040	--	83,375.00	83,375.00
November 1, 2040	490,000.00	83,375.00	573,375.00
May 1, 2041	--	71,125.00	71,125.00
November 1, 2041	515,000.00	71,125.00	586,125.00
May 1, 2042	--	58,250.00	58,250.00
November 1, 2042	540,000.00	58,250.00	598,250.00
May 1, 2043	--	44,750.00	44,750.00
November 1, 2043	570,000.00	44,750.00	614,750.00
May 1, 2044	--	30,500.00	30,500.00
November 1, 2044	595,000.00	30,500.00	625,500.00
May 1, 2045	--	15,625.00	15,625.00
November 1, 2045	625,000.00	15,625.00	640,625.00

SERIES 2016 BASE RENTAL PAYMENT SCHEDULE

Date	Principal	Interest	Total
May 1, 2017			
November 1, 2017			
May 1, 2018			
November 1, 2018			
May 1, 2019			
November 1, 2019			
May 1, 2020			
November 1, 2020			
May 1, 2021			
November 1, 2021			
May 1, 2022			
November 1, 2022			
May 1, 2023			
November 1, 2023			
May 1, 2024			
November 1, 2024			
May 1, 2025			
November 1, 2025			
May 1, 2026			
November 1, 2026			
May 1, 2027			
November 1, 2027			
May 1, 2028			
November 1, 2028			
May 1, 2029			
November 1, 2029			
May 1, 2030			
November 1, 2030			
May 1, 2031			
November 1, 2031			
May 1, 2032			
November 1, 2032			
May 1, 2033			
November 1, 2033			
May 1, 2034			
November 1, 2034			
May 1, 2035			
November 1, 2035			
May 1, 2036			
November 1, 2036			

Date	Principal	Interest	Total
May 1, 2037			
November 1, 2037			
May 1, 2038			
November 1, 2038			
May 1, 2039			
November 1, 2039			
May 1, 2040			
November 1, 2040			
May 1, 2041			
November 1, 2041			
May 1, 2042			
November 1, 2042			
May 1, 2043			
November 1, 2043			
May 1, 2044			
November 1, 2044			
May 1, 2045			
November 1, 2045			

FIRST SUPPLEMENT TO MASTER TRUST AGREEMENT

Between the

MORENO VALLEY PUBLIC FINANCING AUTHORITY

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

Dated as of [DATED DATE]

Relating to
$XX,000,000
City of Moreno Valley Public Financing Authority
Lease Revenue Refunding Bonds, Series 2016 (Taxable)

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FIRST SUPPLEMENT TO MASTER TRUST AGREEMENT

THIS FIRST SUPPLEMENT TO MASTER TRUST AGREEMENT (this "First Supplement to Master Trust Agreement"), is made and entered into as of [DATED DATE], by and between the MORENO VALLEY PUBLIC FINANCING AUTHORITY, a public entity and agency (duly organized and existing pursuant to an Agreement entitled "Joint Exercise of Powers Agreement" by and between the City of Moreno Valley and the former Redevelopment Agency of the City of Moreno Valley) (the "Authority") and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under and by virtue of the laws of the United States of America (the "Trustee").

W I T N E S S E T H:

WHEREAS, the City previously leased certain real property and improvements thereon (the "Facilities") to the Authority pursuant to a Master Facilities Lease, dated as of December 1, 2015 (the "2015 Master Facilities Lease");

WHEREAS, the Authority subleased the Facilities back to the City pursuant to a Master Facilities Sublease, dated as of December 1, 2015 (the "2015 Master Facilities Sublease");

WHEREAS, the Authority issued its Lease Revenue Bonds, Series 2015 (Taxable) (the "Series 2015 Bonds") pursuant to a Master Trust Agreement, dated as of December 1, 2015, (the "2015 Master Trust Agreement" or the "Original Trust Agreement") between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), and in accordance with the Joint Exercise of Powers Agreement and its powers thereunder and under the laws of the State of California;

WHEREAS, the proceeds of the Series 2015 Bonds were applied by the City to finance the 2015 Project, as defined in the 2015 Master Trust Agreement;

WHEREAS, the 2015 Master Trust Agreement provides that, subject to the conditions set forth therein, in addition to the Series 2015 Bonds, the Authority may by execution of a Supplemental Trust Agreement without the consent of the Owners, provide for the execution and delivery of Additional Bonds secured by additional Base Rental Payments;

WHEREAS, the Authority intends to issue its Lease Revenue Refunding Bonds, Series 2016 (Taxable) (the "Series 2016 Bonds") pursuant to this First Supplement to Master Trust Agreement, as so amended the "2016 Master Trust Agreement," or simply the "Trust Agreement," and in accordance with the Joint Exercise of Powers Agreement and its powers thereunder and under the laws of the State of California;

WHEREAS, the proceeds of the Series 2016 Bonds will be applied by the City to refund the remaining outstanding Moreno Valley Public Financing Authority 2007 Taxable Lease Revenue Bonds (the "2007 Refunded Bonds"), referred to herein as the "2016 Refunding Project;"

WHEREAS, in order to accomplish such 2016 Refunding Project, the Authority and the City are entering into a First Amendment to Master Facilities Lease, dated as of [DATED

DATE], in order to amend the 2015 Master Facilities Lease, as so amended, the 2016 Master Facilities Lease," or simply the "Lease" or the "Facilities Lease" (i) to add certain additional real property and improvements thereon to Exhibit A of the 2015 Master Facilities Lease and (ii) to make certain other modifications in order to provide for the execution and delivery of the Series 2016 Bonds in accordance with the provisions of the 2016 Master Trust Agreement;

WHEREAS, in addition, in order to accomplish such 2007 Refunding Project, the Authority and the City are entering into a First Amendment to Master Facilities Sublease, dated as of [DATED DATE], in order to amend the 2015 Master Facilities Sublease, as so amended, the 2016 Master Facilities Sublease," or simply the "Sublease" or the "Facilities Sublease" (i) to add certain additional real property and improvements thereon to Exhibit A of the 2015 Master Facilities Sublease, (ii) to increase the amount of Base Rental Payments payable thereunder and (iii) to make certain other modifications in order to provide for the execution and delivery of the Series 2016 Bonds in accordance with the provisions of the 2016 Master Trust Agreement;

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this First Supplement to Master Trust Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this First Supplement to Master Trust Agreement;

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

PART 1

PARTICULAR AMENDMENTS

Part 1.1. Amendments to the Trust Agreement.

(a) Section 1.01 of the Original Trust Agreement is hereby amended by modifying the following terms:

Bonds, Series 2015 Bonds, Series 2016 Bonds, Additional Bonds, Serial Bonds, Term Bonds

The term "Bonds" means the Series 2015 Bonds, the Series 2016 Bonds and all Additional Bonds. The term "Series 2015 Bonds" means all bonds of the Authority authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with Section 2.02(a) and Section 3.01. The term "Series 2016 Bonds" means all bonds of the Authority authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with Article XIII hereof. The term "Additional Bonds" means all bonds of the Authority authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with Article III. The term "Serial Bonds" means Bonds for which no sinking fund payments are provided. The term "Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

Capitalized Interest Account

"Capitalized Interest Account" means the account by that name established pursuant to Section 13.06 hereof.

Continuing Disclosure Certificate

The term Continuing Disclosure Certificate shall mean that certain Continuing Disclosure Certificate executed by the City dated the date of issuance and delivery of the Series 2015 Bonds and/or that certain Continuing Disclosure Certificate executed by the City dated the date of issuance and delivery of the Series 2016 Bonds, as appropriate, as each is originally executed and as each may be amended from time to time in accordance with the terms thereof.

MSRB

The term "MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

Projects

The term "Projects" means the 2015 Project, the 2016 Refunding Project and all Additional Projects.

2007 Refunded Bonds; 2016 Refunding Project

The terms "2007 Refunded Bonds" and "2016 Refunding Project" have the meanings set forth in the preambles hereto.

(b) Section 1.01 of the Original Trust Agreement is hereby amended by adding thereto the following definitions:

2016 Irrevocable Refunding Instructions

The term "2016 Irrevocable Refunding Instructions" means the 2016 Irrevocable Refunding Instructions, dated the Series 2016 Closing Date, given by the City and the Authority to the Trustee.

Series 2016 Closing Date

The term "Series 2016 Closing Date" means ___________, 2016.

[2016 Bond Insurance Policy

The term "2016 Bond Insurance Policy" means the insurance policy issued by _________ guaranteeing the scheduled payment of principal of and interest on the Series 2016 Bonds when due.

2016 Reserve Policy

> The term “2016 Reserve Policy” means the debt service reserve fund policy issued by ___________ guaranteeing the scheduled payment of principal of and interest on the Series 2016 Bonds when due.]

(b) **Amendments to Section 5.02 (a) of the Trust Agreement.** The First paragraph of Section 5.02(a) of the Original Trust Agreement is hereby amended to read as follows:

> On or before each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date; *provided*, *however*, that on each Interest Payment Date occurring on or before the later of ___________ 1, 201_ or the delivery to the Trustee of the Certificate of Completion, before making said deposit, if and to the extent available in the Capitalized Interest Account within the Interest Account, an amount equal to the __% of the amount of interest coming due on such Interest Payment Date, shall be transferred from the Capitalized Interest Account within the Interest Account to the Interest Account. Moneys in the Interest Account shall be used by the Trustee for the purpose of paying the interest on a portion of the Bonds when due and payable. Upon the later of ___________ 1, 201_ or the delivery to the Trustee of the Certificate of Completion, the Trustee shall transfer any amounts then remaining in the Capitalized Interest Account to the Interest Account.

(c) **Amendments to Section 6.03(g) of the Trust Agreement.** Section 6.03(g) of the Original Trust Agreement is hereby amended to read as follows:

> The foregoing provisions of this Section 6.03 shall not be applicable to the Series 2015 Bonds, the Series 2016 bonds nor to any Series of Bonds or the proceeds thereof that the Authority determines upon the issuance thereof are to be taxable bonds, the interest on which is intended to be included in the gross income of the Owner thereof for federal income tax purposes.

PART 2

ADDITION OF ARTICLE XIII

Part 2.1. Addition of Article XIII. The 2015 Master Trust Agreement is hereby amended and supplemented by adding thereto an additional Article as follows:

ARTICLE XIII

SERIES 2016 BONDS

Section 13.01. Authorization of Series 2016 Bonds. A second Series of Bonds is hereby created and designated "Moreno Valley Public Financing Authority Lease Revenue Refunding Bonds, Series 2016 (Taxable)." The aggregate principal amount of Series 2016 Bonds which may be issued and Outstanding under this Trust Agreement shall not exceed $XX,000,000.

The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Series 2016 Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Series 2016 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Authority is now duly authorized, pursuant to each and every requirement of the Act, to issue the Series 2016 Bonds in the form and manner provided herein and that the Series 2016 Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

The validity of the issuance of the Series 2016 Bonds shall not be dependent on or affected in any way by the proceedings taken by the Authority for the financing of a capital improvement or by any contracts made by the Authority or its agents in connection therewith, and shall not be dependent upon the completion of a capital improvement or upon the performance by any person, firm or corporation of his or its obligation with respect thereto. The recital contained in the Series 2016 Bonds that the same are issued pursuant to the Act and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all Series 2016 Bonds shall be incontestable from and after their issuance. The Series 2016 Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Series 2016 Bonds (or any temporary Series 2016 Bonds exchangeable therefor) shall have been delivered to the purchaser thereof and the proceeds of sale thereof received.

Section 13.02. Terms of Series 2016 Bonds. The Series 2016 Bonds shall be issued in the aggregate principal amount of $XX,000,000. The Series 2016 Bonds shall be dated as of the date of initial delivery, shall be issued only in fully registered form in Authorized Denominations (not exceeding the principal amount of Series 2016 Bonds maturing at any one time), and shall mature in the years and in the principal amounts and bear interest at the rates as set forth in the following schedule, subject to prior redemption as described in Article IV hereof:

Series 2016 Bonds

Maturity Date (November 1)	Principal Amount	Interest Rate

2045

The Series 2016 Bonds shall bear interest at the rates set forth above, payable commencing May 1, 2017, and semiannually thereafter on May 1 and November 1 in each year. The Series 2016 Bonds shall bear interest from the Interest Payment Date next preceding the date of registration thereof, unless such date of registration is an Interest Payment Date, in which event they shall bear interest from such date, or unless such date of registration is prior to the first Interest Payment Date, in which event they shall bear interest from their dated date. The amount of interest so payable on any Interest Payment Date shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Payment of interest on the Series 2016 Bonds due on or before the maturity or prior redemption thereof shall be paid by check mailed by first class mail on each Interest Payment Date to the person in whose name the Bond is registered as of the applicable Record Date for such Interest Payment Date at the address shown on the registration books maintained by the Trustee; provided, however, that interest on any Series of Bonds shall be paid by wire transfer or other means to provide immediately available funds to any Holder of at least $1,000,000 in aggregate principal amount of such Series of Bonds, at its option, according to wire instructions given to the Trustee in writing for such purpose and on file prior to the applicable Record Date preceding the Interest Payment Date.

Section 13.03. Form of Series 2016 Bonds. The Series 2016 Bonds and the assignment to appear thereon shall be in substantially the forms set forth in Exhibit B hereto, with necessary or appropriate insertions, omissions and variations as permitted or required hereby.

Section 13.04. Execution of Series 2016 Bonds. The Executive Director of the Authority is hereby authorized and directed to execute each of the Series 2016 Bonds on behalf of the Authority and the Secretary of the Authority is hereby authorized and directed to countersign each of the Series 2016 Bonds on behalf of the Authority. The signatures of such Executive Director and Secretary may be by printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the Series 2016 Bonds shall cease to be such officer before the delivery of the Series 2016 Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Series 2016 Bonds.

Only those Series 2016 Bonds bearing thereon a certificate of authentication in the form hereinbefore recited, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Series 2016 Bonds so authenticated have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

Section 13.05. <u>Special Covenants as to Book-Entry Only System for Series 2016 Bonds</u>. (a) Except as otherwise provided in subsections (b) and (c) of this Section, all of the Series 2016 Bonds initially issued shall be registered in the name of Cede & Co., as nominee for DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. Payment of the interest on any Series 2016 Bond registered in the name of Cede & Co. shall be made on each Interest Payment Date for such Series 2016 Bonds to the account, in the manner and at the address indicated in or pursuant to the Representation Letter.

(b) The Series 2016 Bonds initially shall be issued in the form of a single authenticated fully registered bond for each stated maturity of such Series 2016 Bonds, representing the aggregate principal amount of the Series 2016 Bonds of such maturity. Upon initial issuance, the ownership of all such Series 2016 Bonds shall be registered in the registration records maintained by the Trustee pursuant to Section 2.09 in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. The Trustee, the Authority and any paying agent may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2016 Bonds registered in its name for the purposes of payment of the principal or redemption price of and interest on such Series 2016 Bonds, selecting the Series 2016 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders hereunder, registering the transfer of Series 2016 Bonds, obtaining any consent or other action to be taken by Bondholders of the Series 2016 Bonds and for all other purposes whatsoever; and neither the Trustee nor the Authority or any paying agent shall be affected by any notice to the contrary. Neither the Trustee nor the Authority or any paying agent shall have any responsibility or obligation to any "Participant" (which shall mean, for purposes of this Section, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Series 2016 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being a Bondholder, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Series 2016 Bonds, (iii) any notice which is permitted or required to be given to Bondholders of Series 2016 Bonds hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2016 Bonds, or (v) any consent given or other action taken by DTC as Bondholder of Series 2016 Bonds. The Trustee shall pay all principal of and premium, if any, and interest on the Series 2016 Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the Authority's obligations with respect to the payment of the principal of and premium, if any, and interest on the Series 2016 Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Series 2016 Bonds will be transferable to such new nominee in accordance with subsection (e) of this Section.

(c) In the event that the Authority determines that the Series 2016 Bonds should not be maintained in book-entry form, the Trustee shall, upon the written instruction of the Authority, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, the Series 2016 Bonds will be transferable in accordance with subsection (e) of this Section. DTC may determine to discontinue providing its services with respect to the Series 2016 Bonds or a portion thereof, at any time by giving written notice of such discontinuance to the Authority or the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series 2016 Bonds will be transferable in accordance with subsection (e) of this Section. If at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor securities depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, then this Section shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the Series 2016 Bonds as provided below. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Series 2016 Bonds then Outstanding. In such event, the Series 2016 Bonds will be transferable to such securities depository in accordance with subsection (e) of this Section, and thereafter, all references in this Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Trust Agreement to the contrary, so long as all Series 2016 Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such Series 2016 Bond and all notices with respect to each such Series 2016 Bond shall be made and given, respectively, to DTC as provided in or pursuant to the Representation Letter.

In the event that any transfer or exchange of Series 2016 Bonds is authorized under subsection (b) or (c) of this Section, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Series 2016 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.07 and 2.08. In the event Series 2016 Bond certificates are issued to Bondholders other than Cede & Co., its successor as nominee for DTC as holder of all the Series 2016 Bonds, another securities depository as holder of all the Series 2016 Bonds, or the nominee of such successor securities depository, the provisions of Sections 2.07 and 2.08 shall also apply to, among other things, the registration, exchange and transfer of the Series 2016 Bonds and the method of payment of principal of, premium, if any, and interest on the Series 2016 Bonds.

Section 13.06. <u>Establishment of Capitalized Interest Account</u>. The Trustee shall establish and maintain the Capitalized Interest Account within the Interest Account until the date all amounts are transferred therefrom in accordance with Section 5.02(a) hereof.

Section 13.07. <u>Deposit of Proceeds of Series 2016 Bonds; Other Moneys</u>. The proceeds received from the sale of the Series 2016 Bonds in the amount of $____________ (consisting of the par amount of the Series 2016 Bonds of $XX,000,000.00, less a net original issue discount of $__________, less an underwriter's discount of $_______________), plus the amount of $__________ held in the ____________ established for the 2007 Refunded Bonds shall be transferred for deposit by the Trustee to the following respective funds or accounts:

(a) The Trustee shall deposit in the Costs of Issuance Fund established pursuant to Section 3.01 hereof the amount of $___________;

(b) The Trustee shall deposit in the Capitalized Interest Fund established pursuant to Section 13.06 hereof the amount of $_____________;

(c) The Trustee deposit the amount of $________________ in the Escrow Account which account is hereby created and which account the Trustee hereby agrees to maintain until payment of the redemption price of the 2007 Refunded Bonds, as described in the 2016 Irrevocable Refunding Instructions. All money in the Escrow Account shall be governed exclusively by and applied in accordance with the 2016 Irrevocable Refunding Instructions, which 2016 Irrevocable Refunding Instructions are for that purpose incorporated herein by reference.

The Trustee shall deposit the 2016 Reserve Policy in the Reserve Fund established pursuant to section 3.03 hereof.

The deposits required of the Trustee set forth above into funds or accounts shall be deemed made by the transfer of funds by the Trustee in accordance with the instructions of the City. To facilitate any transfers to or for the benefit of the City required in this Section 13.06, the Trustee may, in its discretion open a temporary fund or account on its records which shall be closed upon completion of such transfers.

Section 13.08. Redemption of Series 2016 Bonds. The Series 2016 Bonds shall be subject to redemption prior to their Principal Payment Date as set forth in this Section.

(a) *Extraordinary Redemption.* The Series 2016 Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as hereinafter provided, as a whole or in part by lot within each stated maturity in integral multiples of Authorized Denominations, from prepayments made by the City pursuant to Section 7.02(A) of the Sublease, at a Redemption Price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the Redemption Date.

(b) *Optional Redemption.* The Series 2016 Bonds maturing on and after November 1, 20__ are subject to optional redemption prior to their stated Principal Payment Dates, on any date on or after November 1, 202, in whole or in part, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to subsection (B) of Section 7.02 of the Sublease, any such prepayment to be at a Redemption Price equal to the principal amount of the Series 2016 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date, without premium.

(c) *Mandatory Sinking Account Prepayment.* The Series 2016 Bonds with a stated Principal Payment Date of November 1, 20__ are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each November 1 specified below, at a Redemption Price equal to the principal amount of the Series 2016 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date, without premium. The principal of such Series 2016 Bonds to be so redeemed and the dates therefor shall be as follows:

Prepayment Date (November 1)	Principal Component To Be Redeemed
2045*	

*Stated Principal Payment Date

The amount of each such redemption shall be reduced proportionately in the event and to the extent of any and all redemptions of Series 2016 Bonds with a stated Principal Payment Date of November 1, 2045, pursuant to any provision hereof other than redemptions made pursuant to the preceding paragraph.

(d) *Selection of Bonds for Redemption.* Whenever less than all of the Outstanding Bonds are to be redeemed on any one date, the Trustee shall select, in accordance with written directions from the Authority, the Bonds to be redeemed in part from the Outstanding Bonds so that the aggregate annual principal amount of and interest on Bonds which shall be payable after such Redemption Date shall be as nearly proportional as practicable to the aggregate annual principal amount of and interest on Bonds Outstanding prior to such Redemption Date. If less than all Outstanding Bonds of the same Series maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Bonds of such maturity date to be redeemed randomly and shall promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption. For purposes of such selection, Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event Term Bonds are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption.

(e) *Notice of Redemption; Cancellation; Effect of Redemption*. Notice of redemption shall be mailed by first class mail by the Trustee, on behalf and at the expense of the Authority, not less than 30 nor more than 60 days prior to the redemption date to the respective Owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. The Trustee shall also provide such additional notice of redemption of Bonds at the time and as may be required by the MSRB. Each notice of redemption shall state the date of such notice, the Bonds to be prepaid, the Series and date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be prepaid, the distinctive certificate numbers of the Bonds of such maturity to be prepaid and, in the case of Bonds to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice shall also state that such redemption may be rescinded by the Authority and that, unless such redemption is so rescinded, and provided that on said date funds are available for payment in full of the Bonds then called for redemption, on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be prepaid in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice pursuant to this Section to any one or more of the information services or securities depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice mailed to such Owner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption.

The Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

All Bonds redeemed pursuant to the provisions of this Article shall be cancelled by the Trustee and shall be destroyed and shall not be reissued.

PART 3

MISCELLANEOUS

Part 3.1. Effect of First Supplement to Master Trust Agreement. This First Supplement to Master Trust Agreement and all of the terms and provisions herein contained shall form part of the 2015 Master Trust Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the 2015 Master Trust Agreement. The 2015 Master Trust Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as heretofore amended and supplemented, and as amended and supplemented hereby. If there shall be any conflict between the terms of this First Supplement to Master Trust Agreement and the terms of the 2015 Master Trust Agreement (as in effect on the day prior to the effective date of this First Supplement to Master Trust Agreement), the terms of this First Supplement to Master Trust Agreement shall prevail.

Part 3.2. Execution in Counterparts. This First Supplement to Master Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Part 3.3. Effective Date. This First Supplement to Master Trust Agreement shall become effective upon its execution and delivery.

IN WITNESS WHEREOF, the parties hereto have executed this First Supplement to Master Trust Agreement by their officers thereunto duly authorized as of the day and year first written above.

MORENO VALLEY PUBLIC FINANCING AUTHORITY

By: ____________________________________
Michelle Dawson, Executive Director

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: ____________________________________
Authorized Officer

Acknowledged:

CITY OF MORENO VALLEY

By: _________________________________
Michelle Dawson, City Manager

EXHIBIT A

FORM OF SERIES 2016 BOND

MORENO VALLEY PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BOND, SERIES 2016 (TAXABLE)

NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY NOR THE CITY OF MORENO VALLEY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE BONDS AND NO TAX OR OTHER SOURCE OF FUNDS OTHER THAN THE REVENUES HEREINAFTER REFERRED TO IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE BONDS. NEITHER THE PAYMENT OF THE PRINCIPAL OF NOR INTEREST ON THE BONDS CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF MORENO VALLEY.

Interest Rate	Maturity Date	Dated Date	CUSIP
___%	November 1, ____	__________, 2016	__________

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: ______________________________________ DOLLARS

The MORENO VALLEY PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority, duly organized and validly existing under and pursuant to the laws of the State of California (the “Authority”), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal sum specified above, together with interest on such principal sum from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is registered as of an interest payment date or during the period from the first day of the month containing an interest payment date to such interest payment date, in which event it shall bear interest from such interest payment date, or unless this Bond is authenticated prior to May 1, 2015, in which event it shall bear interest from the original issue date specified above) until the principal hereof shall have been paid at the interest rate per annum specified above, payable on May 1, 2015, and semiannually thereafter on each November 1 and May 1. Interest due on or before the maturity or prior redemption of this Bond shall be payable only by check mailed by first-class mail to the registered owner hereof; provided that upon the written request of a Bondholder of $1,000,000 or more in aggregate principal amount of Bonds of the Series of which this Bond is a part received by the Trustee prior to the applicable record date, interest shall be paid by wire transfer in immediately available funds. The principal hereof is payable in lawful money of the United States of America upon presentation of this Bond at the principal office of Wells Fargo Bank, National Association, in San Francisco or Los Angeles, California.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its "Moreno Valley Public Financing Authority Lease Revenue Refunding Bonds" (the "Bonds") and is one of a duly authorized series of such Bonds known as "Series 2016 (Taxable)" (the "Series 2016 Bonds") issued in an aggregate principal amount of $XX,000,000, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a master trust agreement, dated as of December 1, 2015, as amended by a first supplement thereto, dated as of [DATED DATE] (and as further amended from time to time, the "Trust Agreement"), between the Authority and Wells Fargo Bank, National Association, as trustee (together with any successor as trustee under the Trust Agreement, the "Trustee") (copies of the Trust Agreement are on file at the principal office of the Trustee in San Francisco, California).

The Bonds are issued to provide funds to refund certain outstanding lease revenue bonds of the Authority. The Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain proceeds of the Bonds held in certain funds and accounts pursuant to the Trust Agreement and the revenues (as more fully defined in the Trust Agreement, the "Revenues") derived from Base Rental Payments and other payments made by the City of Moreno Valley (the "City"), and all interest or other investment income thereon, pursuant to the Master Facilities Sublease, dated as of December 1, 2015, as amended by a First Amendment thereto, dated as of [DATED DATE] (as further amended from time to time, the "Facilities Sublease"), by and between the Authority and the City, and the Authority is not obligated to pay the interest or premium, if any, on and principal of the Bonds except from the Revenues. All Bonds are equally and ratably secured in accordance with the terms and conditions of the Trust Agreement by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest or premium, if any, on and principal of the Bonds as provided in the Trust Agreement. The full faith and credit of the Authority and the City are not pledged for the payment of the interest or premium, if any, on or principal of the Bonds. No tax shall ever be levied to pay the interest on or principal of the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge or lien upon any property of the Authority or any of its income or receipts except the Revenues, and neither the payment of the interest on nor principal of the Bonds is a debt, liability or general obligation of the Authority, the City or any member of the Authority for which such entity is obligated to levy or pledge any form of taxation. Additional bonds payable from the Revenues may be issued which will rank equally as to security with the Bonds, but only subject to the conditions and upon compliance with the procedures set forth in the Trust Agreement. Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, the rights of the registered owners of the Bonds, security for payment of the Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the Authority and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents.

The Bonds are subject to redemption by the Authority on the dates, and at the redemption prices, set forth in the Trust Agreement.

Notice of redemption of this Bond shall be given by first-class mail not less than thirty (30) days nor more than sixty (60) days before the redemption date to the registered owner of any Bond selected for redemption, subject to and in accordance with provisions of the Trust Agreement with respect thereto. If notice of redemption has been duly given as aforesaid and money for the payment of the above-described redemption price is held by the Trustee, then this Bond shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated, interest on this Bond shall cease to accrue and the registered owner of this Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof.

If an Event of Default (as defined in the Trust Agreement) shall occur, the Trust Agreement provides that the Trustee may take certain actions and exercise certain remedies as provided in the Trust Agreement.

This Bond is transferable only on a register to be kept for that purpose at the above-mentioned corporate trust office of the Trustee by the registered owner hereof in person or by the duly authorized attorney of such owner upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or the duly authorized attorney of such owner, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount in authorized denominations will be issued to the transferee in exchange therefor. The Authority and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been executed and dated by the Trustee.

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

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

IN WITNESS WHEREOF, the Moreno Valley Public Financing Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of the Executive Director of the Authority and countersigned by the manual or facsimile signature of the Secretary of said Authority, and has caused this Bond to be dated as of the original issue date specified above.

MORENO VALLEY PUBLIC FINANCING AUTHORITY

By: ______________________________
Executive Director

Countersigned:

____
Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION
TO APPEAR ON SERIES 2016 BONDS]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been registered and authenticated on ____________, 2016.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By: ________________________________
Authorized Signatory

[FORM OF ASSIGNMENT TO
APPEAR ON SERIES 2016 BONDS]

For value received the undersigned hereby sells, assigns and transfers unto (Taxpayer Identification Number: ___________) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

____
NOTE: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Dated: ________________

PLEASE INSERT SOCIAL SECURITY NUMBER, TAXPAYER IDENTIFICATION NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE:

Signature Guaranteed: ________________________________
NOTE: Signature must be guaranteed by an eligible guarantor institution.