

NEW ISSUE
FULL BOOK ENTRY

RATINGS: S&P - __

See "RATINGS" herein

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

\$ _____*

**MARINA COAST WATER DISTRICT
2015 SENIOR LIEN
ENTERPRISE REVENUE REFUNDING BONDS**

Dated: Date of Delivery**Due: June 1, as shown below**

The captioned bonds (the "Bonds") are being issued by the Marina Coast Water District (the "District") under an Indenture of Trust, dated as of June 1, 2015 (the "Indenture"), between the District and MUFG Union Bank, N.A., San Francisco, California, as trustee (the "Trustee"). Proceeds of the Bonds will be used to (i) prepay the District's 2006 Certificates of Participation executed in the original aggregate principal amount of \$42,310,000 and currently outstanding in the principal amount of \$37,110,000; (ii) fund a debt service reserve fund or purchase a surety bond for the Bonds; and (iii) pay the costs of issuing the Bonds.

The Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of \$5,000 of principal due on a single maturity date or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2015, by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds.

The Bonds will be subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS - Optional Redemption" and "- Mandatory Sinking Fund Redemption" herein.

The Bonds are special obligations of the District and are payable exclusively from Net Revenues (as defined in this Official Statement) of the water and wastewater enterprises of the District (collectively, the "Enterprises") and from amounts on deposit in certain funds and accounts established under the Indenture. The District may in the future incur obligations secured on a parity basis with the Bonds, provided that the conditions set forth in the Indenture are met. The District has incurred obligations secured by Surplus Revenues (as defined in this Official Statement) of the Enterprises, on a basis subordinate to the Bonds. See "RISK FACTORS" and "SECURITY FOR THE BONDS; PARITY DEBT - Parity Debt" and "SUBORDINATE DEBT" herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT LIMITED SOLELY TO NET REVENUES. UNDER NO CIRCUMSTANCES WILL THE DISTRICT BE REQUIRED TO ADVANCE MONEYS DERIVED FROM ANY SOURCE OF INCOME OTHER THAN NET REVENUES AND OTHER SOURCES SPECIFICALLY IDENTIFIED HEREIN FOR THE PAYMENT OF THE BONDS AND SUCH OTHER AMOUNTS, AND NO OTHER FUNDS OR PROPERTY OF THE DISTRICT WILL BE LIABLE FOR THE PAYMENT OF THE BONDS.

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors must review the entire Official Statement before making any investment decision.

The District has applied for a policy of municipal bond insurance to insure the scheduled payment of principal of and interest on the Bonds, but no commitment to issue such a policy has been issued as of the date of the Preliminary Official Statement.

MATURITY SCHEDULE

(See inside cover)

The Bonds are offered when, as and if issued, and accepted by the Underwriter, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Los Angeles, California, and for the District by Griffith & Masuda, A Professional Law Corporation, Turlock, California, General Counsel to the District. It is anticipated that the Bonds will be available for delivery in book-entry form for delivery through the facilities of DTC in New York, New York, on or about _____, 2015.

[BOSC, INC., a subsidiary of BOK Financial Corp. logo]

* Preliminary; subject to change.

MATURITY SCHEDULE*

Base CUSIP† Number: 56808C

<u>Maturity</u> (June 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u> <u>Number</u>
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\$ _____ - ____% Term Bonds, Maturing on June 1, 20__; Yield ____%; Priced at ____%,
CUSIP Number 56808C ____

* Preliminary; subject to change.

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

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable.

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 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.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 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 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Estimates and Projections. 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," "budget" or other similar words.

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 DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access ("EMMA") website.

MARINA COAST WATER DISTRICT

BOARD OF DIRECTORS

Howard Gustafson, President
Peter Le, Vice President
Thomas P. Moore, Director
William Y. Lee, Director
Jan Shriner, Director

DISTRICT STAFF

Bill Kocher, Interim General Manager
Kelly Cadiente, Director of Administrative Services

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Trustee

MUFG Union Bank, N.A.
San Francisco, California

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Minneapolis, Minnesota

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OFFICIAL STATEMENT

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**MARINA COAST WATER DISTRICT
2015 SENIOR LIEN
ENTERPRISE REVENUE REFUNDING BONDS**

INTRODUCTION

*This Official Statement, including the cover page, inside cover and appendices, is provided to furnish information in connection with the sale by the Marina Coast Water District (the “**District**”) of its 2015 Senior Lien Enterprise Revenue Refunding Bonds (the “**Bonds**”). This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in APPENDIX B - “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”*

The District. The District is a county water district organized in 1960 under the provisions of the County Water District Law. The District provides water and wastewater services to customers within the service area of the District. See “THE DISTRICT AND THE ENTERPRISES.” For selected financial, economic and demographic information about the District, also see “THE DISTRICT AND THE ENTERPRISES.” The audited financial statements of the District for the fiscal year ended June 30, 2014, are attached as APPENDIX A.

Authority for Issuance. The Bonds are being issued under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and an Indenture of Trust (the “**Indenture**”), dated as of June 1, 2015, between the District and MUFG Union Bank, N.A., San Francisco, California, as trustee (the “**Trustee**”).

Use of Proceeds. The proceeds of the Bonds will be used to (i) prepay the District’s 2006 Certificates of Participation executed in the original principal amount of \$42,310,000 and currently outstanding in the principal amount of \$35,170,000 (the “**2006 Certificates**”); (ii) fund a debt service reserve fund for the Bonds; and (iii) pay the costs of issuing the Bonds. See “REFINANCING PLAN.”

Security for the Bonds. The Bonds are payable from and secured by Net Revenues (as defined in this Official Statement) derived from the operation of the water enterprise (the “**Water Enterprise**”) and wastewater enterprise (the “**Wastewater Enterprise**”) of the District (each an “**Enterprise**” and together, the “**Enterprises**”), and from amounts on deposit in certain funds and accounts established under the Indenture. The District may in the future incur obligations secured

* Preliminary; subject to change.

on a parity basis with the Bonds, provided that certain conditions set forth in the Indenture are met. See "SECURITY FOR THE BONDS; PARITY DEBT - Pledge of Net Revenues."

Rate Covenant. In the Indenture, the District will covenant to fix, prescribe, revise and collect rates, fees and charges to generate sufficient Net Revenues to pay debt service on the Bonds. See "SECURITY FOR THE BONDS; PARITY DEBT - Rate Covenant; Collection of Rates and Charges."

Application for Insurance. The District has applied for a policy of municipal bond insurance to insure the payment of principal of and on the Bonds when due, but no commitment to issue such a policy has been issued as of the date of the Preliminary Official Statement.

Parity Debt and Subordinate Debt. The District is authorized to incur additional obligations payable from Net Revenues on a parity basis with the Bonds. The District has indebtedness that is payable from Surplus Revenues (as defined below) on a subordinate basis to the Bonds. See "SECURITY FOR THE BONDS; PARITY DEBT - Parity Debt" and "SUBORDINATE DEBT."

Limited Obligation. **The Bonds are special obligations of the District limited solely to Net Revenues. Under no circumstances will the District be required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Bonds and such other amounts, and no other funds or property of the District will be liable for the payment of the Bonds.**

Definitive Statement. All descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. Certain capitalized terms used in this Official Statement and not defined in this Official Statement have the meaning given them in APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

REFINANCING PLAN

2006 Certificates

In August 2006, in order to finance the construction of improvements to the Enterprises, the District entered into an Installment Sale Agreement dated as of August 1, 2006 (the "**2006 Installment Sale Agreement**") between the District and Public Property Financing Corporation (the "Financing Corporation"), under which the District is obligated to pay semiannual installment payments (the "**2006 Installment Payments**"), which are secured by a pledge and lien on the net revenues of the Enterprises. Under the 2006 Installment Sale Agreement, the 2006 Installment Payments are subject to prepayment in whole or in part on any date on or after June 1, 2016, and such prepayments will be applied to pay and prepay the outstanding 2006 Certificates, which were executed and delivered under a Trust Agreement dated as of August 1, 2006 (the "**2006 Trust Agreement**"), among the District, the Financing Corporation and MUFG Union Bank, N.A., as trustee (the "**2006 Trustee**").

A portion of the proceeds of the Bonds will be deposited with MUFG Union Bank, as escrow agent (the "Escrow Agent"), to be held in an escrow fund to be established by the Escrow Agent pursuant to an Escrow Deposit and Trust Agreement dated June 1, 2015, between the

District and the Escrow Agent. Moneys in the Escrow Fund shall be invested in federal securities and will be used to pay the principal and interest represented by the 2006 Certificates as it comes due, and to prepay the outstanding principal amount of the 2006 Certificates on June 1, 2016 at a redemption price equal to 100% of the principal amount of 2006 Certificates to be prepaid together with accrued interest represented thereby to the prepayment date, without premium. As a result of the deposit and investment of funds under the Escrow Agreement, the 2006 Certificates will be fully defeased and discharged upon the issuance of the Bonds, and will cease to be secured by a pledge of the Net Revenues of the Enterprises.

The Escrow Agent is irrevocably committed to make payments required under the 2006 Trust Agreement for the 2006 Certificates and to cause payment and prepayment of the outstanding 2006 Certificates when due, but only out of moneys available in the Escrow Fund. Under no circumstances will moneys from the Escrow Fund be available to pay debt service on the Certificates. See "ESCROW VERIFICATION" herein.

Estimated Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Bonds are as follows:

Sources:

Principal Amount of the Bonds
Plus Net Original Issue Premium
Total Sources:

Uses:

Deposit to Escrow Fund
Deposit to Reserve Fund
Costs of Issuance ⁽¹⁾
Total Uses:

⁽¹⁾ Includes Underwriter's discount, Trustee fees, Bond and Disclosure Counsel fees, printing costs, rating agency fees, verification agent fees, premium for the municipal bond insurance policy and reserve fund surety bond, if any, and other related costs.

THE BONDS

Description

The Bonds will be dated their date of delivery, will bear interest at the rates per annum set forth on the inside cover hereof from their date, payable semiannually on June 1 and December 1 (each an "**Interest Payment Date**"), commencing December 1, 2015, and will mature on the dates and in the amounts set forth on the inside cover hereof.

The Bonds will be issued only as one fully registered Bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("**DTC**"), as registered owner of all Bonds. The Bonds will be available to ultimate purchasers ("**Beneficial Owners**") in the denomination of \$5,000 of principal due on a single maturity date or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the Bonds. Ownership may be changed only in accordance with the procedures of DTC. **While the Bonds**

are held in the book-entry only system of DTC, all payments will be made to Cede & Co., as the registered Owner of the Bonds. See APPENDIX E - "BOOK-ENTRY ONLY SYSTEM."

Optional Redemption

The Bonds maturing on or before June 1, 20__, are not subject to redemption prior to maturity. The Bonds maturing on or after June 1, 20__, are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as designated by the District and by lot within a maturity, from any available source of funds, on June 1, 20__, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption

The Bonds maturing on June 1, 20__, are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on June 1 in the respective years as set forth in the following table; *provided, however*, that if some but not all of such Bonds have been redeemed under the optional redemption provisions described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the District to the Trustee).

Sinking Fund
Redemption Date
(June 1)

Principal Amount
To Be Redeemed

Notice of Redemption

The Trustee will provide notice of any redemption to DTC as described in APPENDIX E - "BOOK-ENTRY-ONLY SYSTEM" at least 30 but not more than 60 days prior to the date fixed for redemption.

Manner of Redemption

Whenever provision is made for the redemption of less than all of the Bonds, the Bonds to be redeemed will be selected by DTC as described in APPENDIX E - "BOOK-ENTRY-ONLY SYSTEM." For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations, and such separate denominations will be treated as separate Bonds which may be separately redeemed.

Effect of Redemption

From and after the date fixed for redemption, if notice of redemption has been duly provided and funds available for the payment of the principal of and interest (and premium, if any)

on the Bonds so called for redemption have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

SECURITY FOR THE BONDS; PARITY DEBT

The Bonds and any Parity Debt are secured by a first pledge of all Net Revenues. See "Parity Debt." In addition, the Bonds are secured by a pledge of all of the moneys in the Bond Fund and the Reserve Fund, including all amounts derived from the investment of such moneys. So long as any of the Bonds are Outstanding, Net Revenues and such moneys may not be used for any other purpose, except that out of Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture. **The Bonds are special obligations of the District limited solely to Net Revenues. Under no circumstances will the District be required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Bonds and such other amounts, and no other funds or property of the District will be liable for the payment of the Bonds.**

"Net Revenues" means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs coming payable during such period.

"Gross Revenues" means all gross income and revenue received by the District from the ownership and operation of the Enterprises, including, without limiting the generality of the foregoing:

- (a) all *ad valorem* taxes allocable to the Enterprises which are levied upon taxable property in the District by the Board of Supervisors of Monterey County, and which are allocated to the District under the provisions of Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code of the State of California, including all payments, subventions and reimbursements, if any, to the District specifically attributable to taxes lost by reason of tax exemptions and tax rate limitations; but excluding any taxes levied for the sole purpose of providing for payment of principal and interest on any voter-approved indebtedness incurred by the District, which taxes would not otherwise be subject to levy but for the issuance of such indebtedness;
- (b) all amounts levied by the District as a fee for connecting to the Enterprises, as such fee is established from time to time under the applicable laws of the State of California;
- (c) all income, rents, rates, fees, charges and other moneys received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Enterprises or otherwise arising from the Enterprises;
- (d) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of

such earnings and income is limited by or under applicable law to the Enterprises;

- (e) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Enterprises as permitted by the Indenture; and
- (f) amounts transferred from the Rate Stabilization Fund of the Enterprise Funds in any Fiscal Year in accordance with the Indenture.

The term “Gross Revenues” does not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, and (ii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Enterprises.

“**Operation and Maintenance Costs**” means costs paid or incurred by the District for maintaining and operating the Enterprises, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Enterprises in good repair and working order, (b) all administrative costs of the District that are charged directly or apportioned to the operation of the Enterprises, such as salaries and wages of employees, overhead, taxes (if any) and insurance, and (c) administrative costs which the District is required to pay hereunder with respect to the Bonds. “Operating and Maintenance Costs” do not include (i) payments of debt service on bonds, notes, contracts or other obligations issued by the District with respect to the Enterprises, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

Deposit and Transfer of Revenues

The District will deposit all of the Gross Revenues from the Water Enterprise into the Water Fund and all of the Gross Revenues from the Wastewater Enterprise into the Wastewater Fund held by it (each, an “**Enterprise Fund**” and, collectively, the “**Enterprise Funds**”) and will apply amounts in the Enterprise Funds solely as set forth in the Indenture and in the documents authorizing the issuance of Parity Debt.

Pursuant to the Indenture, the District will apply amounts on deposit in the Enterprise Funds to pay when due the following amounts in the following order of priority:

1. all Operation and Maintenance Costs estimated by the District to become due and payable in the Fiscal Year;
2. the principal of and interest on the Bonds then coming due and all payments of principal of and interest on Parity Debt as they become due and payable during the Fiscal Year, without preference or priority;
3. the amount, if any, to restore the balance in the Reserve Fund to the full amount of the Reserve Requirement or to restore any deficiency in the reserve fund established for Parity Debt; and

4. any other payments required to meet any other obligations of the District which are charges, lines, encumbrances upon, or which are otherwise payable from the Gross Revenues or the Net Revenues during such Fiscal Year.

Subject to the foregoing, so long as no event of default has occurred and is continuing under and as defined in the Indenture, the District will withdraw amounts on deposit in the Enterprise Funds and apply such amounts at the times and for the purposes, and in the priority, as follows:

1. On or before the 5th Business Day of the month preceding each Interest Payment Date, the District will withdraw from the Enterprise Funds and pay to the Trustee for deposit into the Bond Fund an amount which, together with other available amounts then on deposit in the Bond Fund, is at least equal to the aggregate amount coming due and payable on the Bonds on such Interest Payment Date. The Trustee will apply amounts in the Bond Fund solely for the purpose of paying the interest on the Outstanding Bonds when due and payable (including accrued interest on any Bonds purchased or redeemed), and paying the principal of the Bonds at the maturity or prior redemption thereof.
2. If the amount on deposit in the Reserve Fund at any time falls below the Reserve Requirement, the District will promptly withdraw the amount of such insufficiency from available funds in the Enterprise Funds and transfer such amount to the Trustee for deposit in the Reserve Fund. No deposit need be made in the Reserve Fund so long as the balance therein at least equals the Reserve Requirement. If the amount on deposit in the Reserve Fund exceeds the Reserve Requirement, the Trustee will transfer such excess amount to the Bond Fund. If the amounts on deposit in the Bond Fund on any Interest Payment Date are insufficient to pay the principal of and interest on the Bonds then coming due, the Trustee will immediately notify the District in writing of such fact and withdraw the amount of such insufficiency from the Reserve Fund and transfer it to the Bond Fund. See "Reserve Fund."

Allocation of Debt Service Payments Among Funds; Covenant to Make Inter-Fund Loans

The District has covenanted in the Indenture to ensure that the portion of the each payment of debt service on the Bonds which is allocable to the Water Enterprise is payable from the Net Revenues of the Water Enterprise, and that the portion of the each payment of debt service on the Bonds which is allocable to the Wastewater Enterprise is payable from the Net Revenues of the Wastewater Enterprise. To the extent that any portion of the debt service on the Bonds allocable to either the Water Enterprise or the Wastewater Enterprise is payable from the Net Revenues derived from a designated portion of the Water Enterprise or the Wastewater Enterprise, respectively, the District shall further ensure that such portion of each payment of debt service on the Bonds is payable from such Net Revenues.

The District intends that the debt service on the Bonds shall be payable from and secured by a pledge of and lien on all of the Net Revenues. However, in the event the Net Revenues from the Water Enterprise or the Wastewater Enterprise, or any designated portion thereof, are insufficient at any time to enable the District to pay in full the portion of debt service for the Bonds which is allocable to such Net Revenues, the District has covenanted to make an inter-fund loan of other available Net Revenues as needed to make up such insufficiency. Any such inter-fund

loan shall be repaid from the first available funds on a basis which is subordinate to the payment of debt service on the Bonds.

Reserve Fund for Bonds

Initial Deposit; Reserve Requirement. In order to further secure the payment of principal of and interest on the Bonds, a portion of the proceeds of the sale of the Bonds will be deposited into the Reserve Fund in an amount equal to the “Reserve Requirement.”

“**Reserve Requirement**” is defined in the Indenture to mean, as of any calculation date, with respect to a series of Bonds, an amount equal to the least of (i) ten percent of the original principal amount of the Bonds, (ii) 125% of average annual debt service on the Outstanding Bonds, or (iii) maximum annual debt service on the Outstanding Bonds.

The District will determine prior to pricing the Bonds whether to fund the Reserve Fund from proceeds of the Bonds or purchase a reserve fund surety bond.

Uses of Money in the Reserve Fund. As described above, if the amounts on deposit in the Bond Fund on any Interest Payment Date are insufficient to pay the principal of and interest on the Bonds then coming due, the Trustee is required under the Indenture to withdraw the amount of such insufficiency from the Reserve Fund and transfer it to the Bond Fund.

Replenishment of the Reserve Fund. As also described above, if at any time the amount on deposit in the Reserve Fund is less than the Reserve Requirement, the District is required to pay to the Trustee the amount of such deficiency as provided in the Indenture. Any amounts on deposit in the Reserve Fund at any time in excess of the Reserve Requirement will be transferred by the Trustee to the Bond Fund.

Rate Covenant; Collection of Rates and Charges

The District has made the following rate covenants in the Indenture.

Gross Revenues. The District will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished separately by each of the Enterprises during each Fiscal Year (July 1 through June 30) which at the time of fixing are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues from such Enterprise sufficient to pay the following amounts in the following order of priority:

- (a) All Operation and Maintenance Costs of such Enterprise estimated by the District to become due and payable in such Fiscal Year.
- (b) All payments of principal and interest on the portion of the Bonds allocable to such Enterprise and all payments of principal of and interest on any Parity Debt, as they become due and payable in such Fiscal Year, without preference or priority, except to the extent payable from the proceeds of Parity Debt held for that purpose.
- (c) All amounts, if any, required to restore the balance in the Reserve Fund to the full amount of the Reserve Requirement.

- (e) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues of such Enterprise during such Fiscal Year.

Net Revenues. The District covenants in the Indenture to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished separately by each of the Enterprises during each Fiscal Year which at the time of fixing are sufficient to yield Net Revenues of such Enterprise which are at least equal to the sum of 125% of the amount of Debt Service coming due in such Fiscal Year which is allocable to such Enterprise. For purposes of such covenant, the amount of Net Revenues for a Fiscal Year will be computed by including in Gross Revenues all amounts transferred into the such Enterprise Fund from the Rate Stabilization Fund during the Fiscal Year. In the event that the actual collection of Net Revenues based on such rates, fees and charges is insufficient to yield Net Revenues which meet such requirements, such event will not constitute an Event of Default unless it has continued uncured for a period of at least 12 months.

“Debt Service” means, with respect to any Fiscal Year, the aggregate amount of principal of and interest on the Bonds and any outstanding Parity Debt during such fiscal year, including the amount of principal thereof coming due and payable in such fiscal year by operation of mandatory sinking fund redemption.

Rate Stabilization Fund

The District may at any time establish a fund to be held by it and administered in accordance with the Indenture for the purpose of stabilizing the rates and charges imposed by the District with respect to the Enterprises. From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds and any Parity Debt, as the District may determine.

The District may, but is not be required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Enterprise Funds in any Fiscal Year for the purpose of paying the principal of and interest on the Bonds or any Parity Debt coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Enterprise Funds in any Fiscal Year constitute Gross Revenues for that Fiscal Year and will be applied for the purposes of the Enterprise Funds. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the Bonds or any Parity Debt. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the District, be applied for any other lawful purposes. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the District.

Parity Debt

No Existing Parity Debt. Upon prepayment of the 2006 Installment Payments and discharge of the 2006 Certificates, the District will have no other obligation that is secured by a pledge of Net Revenues on a parity with the Bonds. The District has, however, incurred obligations which are subordinate to the Bonds as described below. See “SUBORDINATE DEBT.”

Future Parity Debt. The District may issue or incur bonds, notes or other obligations which are secured by a pledge of and lien on Net Revenues on a parity with the pledge and lien which secure the Bonds (“**Parity Debt**”), provided that certain conditions are satisfied, including the following:

1. No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing;
2. The Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District, in either case verified by an Independent Accountant or a Fiscal Consultant or shown in the audited financial statements of the District, plus at the option of the District any or all of the Additional Revenues, are at least equal to 125% of the Debt Service for such Fiscal Year and a certificate that Net Revenues plus Additional Revenues equal the maximum annual debt service of existing debt, plus the proposed Parity Debt; and
3. The District shall deliver to the Trustee a Certificate of the District certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such Parity Debt set forth in the foregoing provisions of this Section have been satisfied.

“**Additional Revenues**” means, with respect to the issuance of any Parity Debt, any or all of the following amounts:

- (a) An allowance for Gross Revenues from any additions or improvements to or extensions of either Enterprise to be made from the proceeds of such Parity Debt in an amount equal to 100% of the estimated additional average annual Gross Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a Fiscal Consultant.
- (b) An allowance for Gross Revenues arising from any increase in the charges made for service from either Enterprise which has become effective prior to the incurring of such Parity Debt but which, during all or any part of the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District pursuant to the Indenture, was not in effect, in an amount equal to the total amount by which the Gross Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of a Fiscal Consultant.

SUBORDINATE DEBT

In 2010 the District issued its 2010 Subordinate Revenue Refunding Bonds in the amount of \$8,495,000 (the “**2010 Subordinate Bonds**”). The 2010 Subordinate Bonds are secured on a subordinate basis to the Bonds by a pledge of Surplus Revenues.

As defined in the documents authorizing the issuance of the 2010 Subordinate Bonds, the term “**Surplus Revenues**” means, for any period, an amount equal to all of the Net Revenues received during such period minus (a) the amount required to pay the Bonds coming payable during such period, (b) the amount required to pay debt service coming due during such period on any obligations issued on a parity with the Bonds in accordance with the Indenture (“**Senior Parity Debt**”) and (c) the amount (if any) which is required during such period to replenish the reserve account established with respect to the Bonds or with respect to any Senior Parity Debt.

DEBT SERVICE SCHEDULE

Scheduled debt service for the Bonds, debt service on the Subordinate Bonds, and aggregate debt service on the Bonds and the Subordinate Bonds is shown in the following table:

<u>Bond Year Ending June 1</u>	<u>The Bonds</u>		<u>2010 Subordinate Bonds</u>	<u>Total</u>
	<u>Principal Amount</u>	<u>Interest Amount</u>		
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
Total				

THE DISTRICT AND THE ENTERPRISES

General

The District is a county water district organized in 1960 under the provisions of the County Water District Law. The District has the powers under the County Water District Law to, among other things, provide potable water, wastewater treatment and collection and reclaimed water services. In connection therewith, the District has the powers of eminent domain, to contract, to construct works, to fix rates and charges for commodities or services furnished and to incur indebtedness.

The District was formed in 1960 to provide potable water to the City of Marina (the “**City**”), acquiring the assets of a private water company in 1966 and commencing potable water service within the City (such area being “**Central Marina**”). The District operates three potable water wells and over 28 miles of water pipe to serve Central Marina.

In 1964, the District constructed a trunk sewer system and treatment plant and commenced wastewater service within the City. The District owns approximately forty miles of wastewater lines to serve Central Marina. Wastewater from Central Marina is conveyed to an interceptor owned by the Monterey Regional Water Pollution Control Agency (“**MRWPCA**”). MRWPCA treats such wastewater at its regional treatment facility.

The District has been the water supplier and wastewater service provider within the boundaries of the former Fort Ord Army Base but outside of the District boundaries (the “**Ord Community**”) pursuant to a contract (the “**FORA Agreement**”) with the Fort Ord Reuse Authority (“**FORA**”), a thirteen member joint powers authority created in 1997 to convert Fort Ord Army Base to civilian use. The District took title to the Ord Community water system in 2001. The District may ultimately annex the Ord Community into the District boundaries, but it has not officially begun such process. The District operates three potable water wells and approximately 75 miles of water pipeline to serve the Ord Community. The District also owns a separate approximately 71 mile wastewater collection system which serves the Ord Community. The District discharges wastewater collected in the Ord Community to MRWPCA interceptors for treatment at MRWPCA’s regional treatment facility.

Service Area

The District currently includes approximately 4.50 square miles consisting of the City. In addition, the District serves the area formerly within the boundaries of the Fort Ord Army Base, which is approximately 45 square miles. The District serves approximately 30,000 residents through 8,000 connections in the City and within the Ord Community service areas.

As required by State law, the Local Agency Formation Commission in Monterey County has established a “sphere of influence” for the District, which defines the area which may be annexed to the District. The land area between the present service area and the sphere of influence boundary is approximately 2.8 square miles, making the total sphere of influence of the District approximately 7.3 square miles not including the Ord Community. The sphere of influence includes two major undeveloped areas - Armstrong Ranch and Lonestar Property. The District purchased a portion of the Armstrong Ranch (approximately 224 acres) in June 2010.

Governance and Management

The District is governed by a 5-member board of directors (the “**Board of Directors**”), the members of which are elected from separate divisions of the District for staggered 4-year terms. The current Board of Directors members, the expiration dates of their terms and their occupations are set forth below.

Board of Directors Member	Expiration of Term	Occupation
Howard Gustafson, President	November 2018	Engineer
Peter Le, Vice President	November 2016	Retired Engineer
Thomas P. Moore, Director	November 2016	Professor
William Y. Lee, Director	November 2018	Retired Military Officer
Jan Shriner, Director	November 2018	Environmental Educator

Day-to-day management of the District is delegated to the General Manager. The District has utilized the services of Bill Kocher as Interim General Manager during the District’s search for a new General Manager. Management of the District’s finances is the responsibility of the Director of Administrative Services. A new General Manager is expected to join the District in July 2015. Set forth below are brief resumes of the Interim General Manager and the Director of Administrative Services:

Interim General Manager. William Kocher was appointed the District’s Interim General Manager in January 2015. Mr. Kocher has over thirty-six years experience in the wastewater, water and water resources field. Mr. Kocher has a Bachelor of Arts degree from Blackburn College and a Master’s degree from Chicago State University.

Over the past thirty years, Mr. Kocher has been active in several water associations including the American Water Works Association, the Association of Water Agencies and the California Municipal Utilities Association, serving on many committees in all aspects of water management and was a frequent speaker at conferences and workshops. Mr. Kocher was also on the Executive Board of CalDesal, serving as Vice Chair.

In addition, Mr. Kocher taught “Fresh Water Policy” in Environmental Science at the University of California Santa Cruz (UCSC) as well as guest-lectured at UCSC and Cabrillo College over the past twenty years.

Director of Administrative Services. Kelly M. Cadiente was appointed the District’s Director of Administrative Services in August 2010. Ms. Cadiente has over 29 years experience in public finance of which the last fifteen are in wastewater and water. Ms. Cadiente has a Bachelor of Science degree in Accounting from Santa Clara University and a Master’s degree in Public Administration from Golden Gate University.

Ms. Cadiente is a member of the California Municipal Finance Officers Association as well as the Government Finance Officers Association (GFOA). Ms. Cadiente has successfully submitted ten consecutive Comprehensive Annual Financial Reports for wastewater and water districts which were awarded the Award for Excellence in Financial Reporting by the GFOA. In addition, Ms. Cadiente has participated in several bond financings.

Employees and Employee Benefits

As of May 1, 2015, the District had 33 full-time employees. The District and the employees of the District contribute to the California Public Employees’ Retirement System (“CalPERS”), a

multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District has continuing obligations under such plan. The District is required annually to contribute to CalPERS at an actuarially determined rate.

Of the 33 employees of the District, five are included in the bargaining units represented by the Teamsters Local 890 (the “Teamsters”) and the Marina Coast Water District Employee Association (the “**Association**”). The contracts with the Teamsters and the Association expire on June 30, 2015 and are expected to be extended to month-to-month contracts. Contract negotiations are ongoing. The District has never experienced a work stoppage or other employee action.

Other Post Employment Benefits

The District provides post employment benefits to eligible employees in the form of partial reimbursement for post employment health insurance premiums. Eligibility requirements include a minimum of 20 years of employment with the District and minimum retirement age of 55 years. For eligible employees, the District will pay 50% of the retired employee’s health insurance premiums. The obligation to provide these benefits is determined by agreements with the various bargaining groups. District contributions are financed on a pay-as-you-go basis. The District paid \$6,838 in post employment benefits for three retired employees who were eligible for benefits during the fiscal year ended June 30, 2014.

The Governmental Accounting Standards Board (“**GASB**”) recently published Statement No. 45, requiring governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as the District (beginning for the District with the Fiscal Year ending June 30, 2014), to account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as for pensions. The District is in compliance with GASB Statement No. 45.

As of June 30, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,350,449. As of July 1, 2013 the underfunded accrued liability was \$1,473,088. The next actuarial report will be prepared in 2016.

The annual OPEB cost and the net OPEB obligation at June 30, 2014 was as follows:

Annual required contribution (ARC)	\$132,042
Interest on net OPEB obligation	20,738
Adjustment to ARC	<u>(21,441)</u>
Annual OPEB cost (expense)	131,339
Contributions made	<u>(6,838)</u>
Increase in net OPEB obligation	124,501
Net OPEB obligation, beginning of year	<u>468,058</u>
Net OPEB obligation, end of year	<u><u>\$592,559</u></u>

Budget Process

The proposed budget is prepared by District staff and sent for review by the Board at several public meetings beginning in March of the prior Fiscal Year. After these public meetings the Board approves a final budget by June 30 for the following Fiscal Year.

Pursuant to the FORA Agreement, the District is required to submit to FORA by March 30 of each year a proposed budget for the portion of the Enterprises which serve the Ord Community (the “**Fort Ord Budget**”), which includes an operational action budget for one year. FORA must respond to the submitted Fort Ord Budget within three months by adopting an ordinance or resolution which approves the Fort Ord Budget or by disputing elements of the Fort Ord Budget. If FORA disputes elements of the Fort Ord Budget, FORA will identify each disputed element, state the reasons for the dispute, and state an acceptable resolution. Within two weeks after FORA disputes the Ord Budget, the District may adopt FORA’s proposed changes or may refer the matter to mediation. If FORA does not respond to the proposed Fort Ord Budget within three months of the date of submittal by the District, the latest submittal from the District shall be deemed adopted.

The District budget for Fiscal Year ending June 30, 2015 was adopted on June 27, 2014 by the District. FORA did not respond within three months of the District’s submission of the Fort Ord Budget and it was therefore deemed adopted.

On March 17, 2015, the District submitted a proposed Ord Budget for fiscal year ending June 30, 2016 to FORA. FORA has until June 17, 2015 to respond to approve or dispute elements of the Fort Ord Budget.

Annual audits for all District funds are conducted and usually completed by December 31 of the following Fiscal Year.

Water Enterprise and Wastewater Enterprise Insurance

The Management Services Administrator of the District manages insurance affairs using a combination of commercially purchased insurance, self-insurance, and risk transfer to protect the assets of the District.

The District currently carries the following types of commercial insurance on its water, wastewater, and recreation operations:

- General Liability Insurance Policy
- Property Insurance Policy
- Auto Insurance Policy

Other Outstanding Revenue Obligations

Other than the Bonds and the Subordinate Bonds, the District has no revenue obligations outstanding. See “SUBORDINATE DEBT.”

Financial Information of the District

Financial Statements. A copy of the most recent audited financial statements of the District prepared by R. J. Ricciardi, Inc, Certified Public Accountants (the “**Auditor**”) are included as APPENDIX A hereto (the “**Financial Statements**”). The Auditor’s letter concludes that the audited financial statements present fairly, in all material respects, the financial position of the business-type activities and each major fund of the District as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the Fiscal Year then ended in conformity with accounting principles generally accepted in the United States of America.

The summary operating results contained under the caption “Historic Operating Results and Debt Service Coverage” are derived from these financial statements (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto.

Historic Operating Results

The following table is a summary of operating results of the District for the last five Fiscal Years. These results have been derived from the Financial Statements but exclude certain receipts which are not included as Revenues under the 2006 Installment Sale Agreement and certain non-cash items and include certain other adjustments.

Marina Coast Water District Historic Operating Results Fiscal Year Ended June 30

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Gross Revenues					
Water Services	\$ 7,501,854	\$8,750,650	\$9,051,906	\$8,839,268	\$9,106,401
Wastewater Services	2,161,443	2,354,013	2,453,627	2,513,613	2,507,048
Capacity and Connection Fees ⁽¹⁾	828,777	538,896	640,191	210,588	3,197,978
Other Services and Fees	951,185	670,255	352,477	415,851	472,679
Other Revenue/Rental Income ⁽²⁾	273,678	471,485	230,994	179,438	179,438
Interest Earned ⁽³⁾	<u>613,936</u>	<u>268,734</u>	<u>230,362</u>	<u>208,531</u>	<u>197,277</u>
Total Gross Revenues	\$12,330,873	\$13,054,033	\$12,959,557	\$12,367,289	\$16,263,060
Operation and Maintenance Costs					
General and Administrative	\$2,129,012	\$2,682,047	\$2,181,147	\$2,919,025	\$2,868,768
Operations and Maintenance	2,709,949	3,001,131	2,722,037	2,970,097	3,154,941
Laboratory	325,299	324,244	216,448	225,119	263,015
Conservation	297,283	318,589	214,378	219,964	241,849
Engineering ⁽⁵⁾	<u>908,265</u>	<u>869,790</u>	<u>969,643</u>	<u>983,015</u>	<u>1,087,355</u>
Total Operation and Maintenance Costs	\$6,369,808	\$7,195,801	\$6,303,653	\$7,317,310	\$7,615,928
Net Revenues	\$5,961,065	\$5,858,232	\$6,655,904	\$5,049,979	\$8,647,132
Senior Debt Service					
2006 Installment Payments	\$2,744,338	\$2,746,338	\$2,741,938	\$2,743,563	\$2,731,563
Senior Debt Service Coverage	2.17	2.13	2.43	1.84	3.17
Net Revenues Available for Subordinate Debt Service	\$3,216,728	\$3,111,895	\$3,913,967	\$2,306,417	\$5,915,570
Subordinate Debt Service					
2010 Subordinate Bonds	0	969,079	986,650	990,850	988,850
Total Debt Service Coverage	2.17	1.58	1.79	1.35	2.32
Cash Available for Capital Projects or Other Purposes	\$3,216,728	\$2,142,816	\$2,927,317	\$1,315,567	\$4,926,720

(1) Capacity fees include developer contributions in FY 2014.

(2) Includes other revenue for all water, wastewater and new water funds as shown in the FY 2010 and FY 2011 audits, and subsequently the other revenue line item is dropped and replaced by rental income as shown in the FY 2013 and 2014 audits.

(3) Includes interest earned on all water and wastewater accounts including moneys deposited in the New Water Fund, related to the Regional Urban Water Augmentation Project.

(4) Includes administrative costs for all water, wastewater and new water funds.

(5) Includes engineering costs for all water, wastewater and new water funds.

Source: The District.

Projected Operating Results and Debt Service Coverage

The estimated projected operating results for the District for the Fiscal Years ending June 30, 2015 through June 30, 2019, are set forth below, reflecting certain significant assumptions concerning future events and circumstances. Additionally, the debt service coverage ratio for the Bonds and for the Bonds and the 2010 Subordinate Bonds is set forth below. The fiscal forecast represents the District's estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. Actual operating results achieved during the projection period may vary from those presented in the forecast, and such variations may be material.

Marina Coast Water District Projected Operating Results Fiscal Year Ended June 30

	2015	2016	2017	2018	2019
Gross Revenues					
Water Services	\$8,760,622	\$9,302,497	\$9,955,467	\$10,312,886	\$10,683,378
Wastewater Services	2,827,200	3,088,527	3,222,281	3,546,412	3,805,010
Capacity and Connection Fees	1,215,984	1,765,542	1,500,000	1,500,000	1,500,000
Other Services and Fees	620,329	386,766	398,369	410,320	422,630
Other Revenue/Rental Income	267,771	266,969	267,000	267,000	267,000
Interest Earned	165,861	166,417	166,417	166,417	166,417
Total Gross Revenues	\$13,857,767	\$14,976,718	\$15,509,534	\$16,203,035	\$16,844,435
Operation and Maintenance Costs					
General and Administrative	\$2,989,465	\$3,623,383	\$3,732,084	\$3,844,047	\$3,959,368
Operations and Maintenance	3,110,437	3,614,983	3,362,710	3,463,591	3,567,499
Laboratory	309,424	314,728	324,170	333,895	343,912
Conservation	299,157	467,614	481,642	496,092	510,974
Engineering	1,219,503	1,977,316	2,036,635	2,097,735	2,160,667
Total Operation and Maintenance Costs	\$7,927,986	\$9,998,024	\$9,937,242	\$10,235,359	\$10,542,420
Net Revenues	\$5,929,78	\$4,978,694	\$5,572,292	\$5,967,676	\$6,302,014
Bonds Debt Service	<u>\$2,733,563</u>	<u>\$2,455,148</u>	<u>\$2,442,050</u>	<u>\$2,440,200</u>	<u>\$2,443,400</u>
Coverage Ratio for Bonds	2.17	2.03	2.28	2.45	2.58
Net Revenues Available for Subordinate Debt Service	\$3,196,219	\$2,523,546	\$3,130,242	\$3,527,476	\$3,858,614
2010 Subordinate Bonds Debt Service	\$985,850	\$986,850	\$986,650	\$990,250	\$979,250
Total Debt Service Coverage Ratio	1.59	1.45	1.63	1.74	1.84
Cash Available for Capital Projects or Other Purposes	\$2,210,369	\$1,536,696	\$2,143,592	\$2,537,226	\$2,879,364

Source: The District.

Water Enterprise of the District

General. The District has historically provided potable water and recycled water services (the “**Water Enterprise**”) to the residents within the City through its Central Marina system, which lies at the northern end of the Salinas Valley on the Monterey Bay. The District has three wells which provide water to the Central Marina system from the deep aquifer underlying the Salinas Valley. The deep aquifer has not experienced seawater intrusion in recent years. Pursuant to an agreement with the Monterey County Water Resources Agency (“**MCWRA**”), the District has a contractual right to pump 3,020 acre feet of water for use in Central Marina, substantially in excess of current usage.

The District has three wells which serve the Ord Community from the 180-foot and 400-foot aquifers underlying the Salinas Valley. These aquifers have experienced seawater intrusion in recent years. Pursuant to agreements with MCWRA and FORA, the District has a contractual right to pump 6,600 acre feet of groundwater to serve the Ord Community.

The District owns a desalination plant that can produce approximately 300,000 gallons per day when operating. While the desalination plant has not been in operation since 2003 and will require rehabilitation work to be operational, the plant remains available to the District. An Agreement for Finance, Repair and Operation of the Plan was entered into in August 2006 with three Ord Community developers. The Agreement is in suspension because the developers have defaulted on their required payments to the District. However, there is no existing litigation concerning the desalination plant.

Historic Water Connections. The following table shows the growth in the number of water connections to the Water Enterprise for the five most recent Fiscal Years.

Marina Coast Water District Historic Water Connections

Fiscal Year Ending June 30	Total	% Increase/ Decrease⁽¹⁾
2010	7,789	--
2011	7,809	0.26%
2012	7,816	0.09
2013	7,962	0.19
2014	7,839	-0.15

(1) Decreases resulted from change from estimates of connections based on flat rate accounting for users to installation of separate meters, allowing actual number of meters to be determined.

Source: The District.

Historic Water Deliveries. The following table presents a summary of historic water deliveries for the Water Enterprise in acre-feet per year for the five most recent Fiscal Years.

**Marina Coast Water District
Historic Water Deliveries In Acre Feet Per Year**

Fiscal Year Ending June 30	Central Marina	Ord Community	Total	% Increase/ Decrease
2010	1,908	2,058	3,966	--
2011	1,626	2,540	4,167	5.07%
2012	1,827	2,318	4,145	-0.53
2013	1,441	2,841	4,282	3.31
2014	1,764	2,570	4,334	1.21

Source: The District.

Historic Water Sales Revenues. The following table shows annual water sales revenues from water sales for the five most recent Fiscal Years.

**Marina Coast Water District
Historic Water Sales Revenues**

Fiscal Year Ending June 30	Central Marina	Ord Community	Total	% Increase/ Decrease
2010	\$3,523,886	\$3,977,968	\$7,501,854	--
2011	3,566,051	5,184,599	8,750,650	16.64%
2012	3,852,488	5,199,418	9,051,906	3.44
2013	3,994,025	4,845,243	8,839,268	-0.23
2014	4,000,146	5,106,255	9,106,401	3.02

Source: The District.

Largest Customers. The following table sets forth the largest customers of the Water Enterprise as of June 30, 2014.

**Marina Coast Water District
Largest Water Customers**

Customer	Area	Revenues
Monterey Bay Military Housing	Ord Community	
Bayonet/Blackhorse Club House	Ord Community	
University Corporation at Monterey Bay	Ord Community	
California State Univ Monterey	Ord Community	
Bay View Mobile Home Park	Ord Community	
City of Marina	Central Marina	
Sun Bay Apartments	Ord Community	
Seaside Highlands H.O. Association	Ord Community	
LV44 Ltd. Partnership	Ord Community	
MPUSD - Seaside High School	Ord Community	
TOTAL		

Source: The District.

The largest customers accounted for approximately ___% of water sales from the Water System and approximately ___% of total District Gross Revenues in the Fiscal Year ending June 30, 2014.

Water Enterprise Rates and Charges. The District completed a five-year rate study and financial plan in September 2013. The financial plan was to provide the resources necessary to properly fund the District’s future needs and requirements identified in the plan. The District conducted a notification process under Proposition 218 to adopt rate increases for its Marina and Ord Community service areas for fiscal years 2015 through 2018. The following water rates were adopted by the District in May 2014:

**Marina Coast Water District
Monthly Water Rates – Central Marina**

	Adopted Rates:
	Effective January 1, 2015
Tier 1 (0-8 (hundred cubic feet (“HCF”)))	\$2.47 per HCF
Tier 2 (9-16 HCF)	2.83 per HCF
Tier 3 (17+ HCF)	5.00 per HCF
	Effective January 1, 2016
Tier 1 (0-8 HCF)	\$2.62 per HCF
Tier 2 (9-16 HCF)	3.01 per HCF
Tier 3 (17+ HCF)	5.31 per HCF
	Effective January 1, 2017
Tier 1 (0-8 HCF)	\$2.70 per HCF
Tier 2 (9-16 HCF)	3.10 per HCF
Tier 3 (17+ HCF)	5.47 per HCF
	Effective January 1, 2018
Tier 1 (0-8 HCF)	\$2.78 per HCF
Tier 2 (9-16 HCF)	3.19 per HCF
Tier 3 (17+ HCF)	5.63 per HCF

Source: The District.

**Marina Coast Water District
Monthly Water Rates – Ord Community**

Adopted Rates:

	Effective January 1, 2015:
Tier 1 (0-8 (hundred cubic feet (“HCF”)))	\$2.60 per HCF
Tier 2 (9-16 HCF)	3.98 per HCF
Tier 3 (17+ HCF)	5.37 per HCF
	Effective January 1, 2016:
Tier 1 (0-8 HCF)	\$2.97 per HCF
Tier 2 (9-16 HCF)	4.56 per HCF
Tier 3 (17+ HCF)	6.14 per HCF
	Effective January 1, 2017:
Tier 1 (0-8 HCF)	\$3.40 per HCF
Tier 2 (9-16 HCF)	5.22 per HCF
Tier 3 (17+ HCF)	7.03 per HCF
	Effective January 1, 2018:
Tier 1 (0-8 HCF)	\$3.68 per HCF
Tier 2 (9-16 HCF)	5.65 per HCF
Tier 3 (17+ HCF)	7.62 per HCF
Monthly Flat Rate Billing	Effective January 1, 2015:
	\$112.65 per unit without meter
	Effective January 1, 2016:
	\$127.29 per unit without meter
	Effective January 1, 2017:
	\$143.94 per unit without meter
	Effective January 1, 2018:
	\$153.99 per unit without meter
Monthly Capital Surcharge Billing (for connections after 6/30/05 and before 7/5/14):	\$20.00 per equivalent dwelling unit

Source: The District.

**Marina Coast Water District
Monthly Water Service Fees – Central Marina**

Meter Size	Effective 1/1/15	Effective 1/1/16	Effective 1/1/17	Effective 1/1/18
5/8" or 3/4"	\$20.46	\$21.07	\$21.71	\$22.36
1"	33.01	34.00	35.02	36.07
1-1/2"	53.94	55.55	57.22	58.94
2"	79.04	81.41	83.85	86.36
3"	137.65	141.78	146.03	150.41
4"	221.30	227.93	234.77	241.82
6"	430.50	443.41	456.71	470.42
8"	849.14	874.62	900.86	927.88
Temporary Water Service	89.95	92.65	95.43	98.29

Source: The District.

**Marina Coast Water District
Monthly Fire Service Fees – Central Marina**

Service Size	Effective 1/1/15	Effective 1/1/16	Effective 1/1/17	Effective 1/1/18
1"	\$1.53	\$1.58	\$1.63	\$1.68
1-1/2"	4.45	4.59	4.72	4.87
2"	9.49	9.78	10.07	10.37
2-1/2"	17.07	17.58	18.11	18.65
3"	27.57	28.40	29.25	30.13
4"	58.75	60.51	62.33	64.20
6"	170.68	175.78	181.05	186.49
8"	363.68	374.59	385.83	397.40

Source: The District.

**Marina Coast Water District
Monthly Water Service Fees – Ord Community**

Meter Size	Effective 1/1/15	Effective 1/1/16	Effective 1/1/17	Effective 1/1/18
5/8" or 3/4"	\$31.48	\$34.37	\$37.55	\$38.79
1"	49.11	53.62	58.57	60.51
1-1/2"	78.49	85.71	93.62	96.71
2"	113.74	124.20	135.66	140.14
3"	196.05	214.09	233.85	241.57
4"	313.52	342.36	373.96	386.31
6"	607.31	663.18	724.39	748.31
8"	1,195.24	1,305.19	1,425.66	1,472.72
Temporary Water Service	110.93	92.65	141.69	151.56

Source: The District.

**Marina Coast Water District
Monthly Fire Service Fees – Ord Community**

Service Size	Effective 1/1/15	Effective 1/1/16	Effective 1/1/17	Effective 1/1/18
1"	\$1.83	\$2.00	\$2.19	\$2.26
1-1/2"	5.33	5.82	6.35	6.56
2"	11.35	12.40	13.54	13.99
2-1/2"	20.41	22.29	24.35	25.15
3"	32.97	36.01	39.33	40.63
4"	70.26	76.73	83.81	86.58
6"	204.11	222.88	243.46	251.49
8"	434.96	474.97	518.81	539.94

Source: The District.

The table below sets forth a comparison of the monthly water rates of the District and charges for a single-family residential user (based on 13 HCF per month) to those of nearby water purveyors as of July 2014:

Community	Total Monthly Bill
District - Central Marina	\$53.78
District - Ord Community	63.72
Cal-Am Monterey	145.06
Cal-Water Salinas	54.06
City of Seaside	125.47

Source: The District.

Collection Procedures. The District is on a monthly billing cycle for water, wastewater collection and recycled water service. A consolidated bill is sent out every month to District customers. Payment is due by the 15th day after the billing date and is considered delinquent if not paid by that date. If payment is not received, a delinquency message appears on a reminder bill. All accounts not paid in full within 60 days of the billing date will be discontinued until full payment is made, including late penalties, a deposit fee of \$35.00 and a \$15.00 reconnection fee.

Projected Water Connections. The following table shows the increase in the number of water connections to the Water Enterprise projected by the District for the current and next four Fiscal Years.

**Marina Coast Water District
Projected Water Connections**

Fiscal Year Ending June 30	Central Marina	Ord Community	Total	% Increase/ Decrease
2015	3,917	4,256	8,173	--
2016	3,917	4,439	8,356	2.20%
2017	3,917	4,630	8,547	2.20
2018	3,917	4,829	8,746	2.30
2019	3,917	5,036	8,953	2.30

Source: The District.

Projected Water Deliveries. The District currently estimates that water deliveries for the current and next four fiscal years will be as follows.

**Marina Coast Water District
Projected Water Deliveries In Acre Feet Per Year**

Fiscal Year Ending June 30	Central Marina	Ord Community	Total	% Increase/ Decrease
2015	1,482	2,159	3,641	--
2016	1,482	2,219	3,701	1.60%
2017	1,623	2,487	4,110	11.00
2018	1,764	2,759	4,523	10.00
2019	1,764	2,827	4,591	1.50

Source: The District.

Projected Water Sales Revenues. The following table projects annual water sales revenues of the Water Enterprise, which projections are based on the increases in projected water deliveries described under “Projected Water Deliveries” and rates described under “Water Enterprise Rates and Charges.”

**Marina Coast Water District
Projected Water Sales Revenues**

Fiscal Year Ending June 30	Central Marina	Ord Community	Total	% Increase/ Decrease
2015	\$4,040,604	\$4,720,018	\$8,760,622	--
2016	3,961,135	5,341,362	9,302,497	6.20%
2017	4,079,969	5,875,498	9,955,467	7.00
2018	4,202,368	6,110,518	10,312,886	3.60
2019	4,328,439	6,354,939	10,683,378	3.60

Source: The District.

Water Shortage Contingency Plan. On April 1, 2015, Governor Jerry Brown issued Executive Order B-29-15 (the "**Executive Order**") to address the ongoing drought conditions in California. The Executive Order, among other things, directed the SWRCB to impose restrictions to achieve a statewide 25% reduction in potable urban water usage from 2013 levels through February 28, 2016. The Executive Order further directs the SWRCB to impose restrictions to require that commercial, industrial and institutional properties, such as campuses, golf courses and cemeteries, immediately implement water efficiency measures to reduce potable water usage, and calls upon the SWRCB to direct urban water suppliers to develop rate structures and other pricing mechanisms, including but not limited to surcharges, fees and penalties, to maximize water conservation consistent with statewide water restrictions. The Executive Order includes several provisions to increase enforcement activity against water waste and to streamline the State and local response to drought-related initiatives.

On May 5, 2015, following a formal rulemaking process and public comment period, the SWRCB adopted an emergency regulation to implement the Executive Order. The regulation will become effective immediately upon approval by the Office of Administrative Law, which is anticipated on or about May 15, 2015, and will remain in effect for 270 days from such date. Under the regulation, 411 urban water providers in the State are classified into nine tiers and assigned

a required conservation standard which is imposed on each tier. The tier classifications are based upon a water supplier's per capita water usage in the three month period July to September 2014. The conservation standard applied to the tiers ranges from a 4% reduction in total potable water production (although no water providers were proposed to be classified in such tier absent the demonstration by a water provider of satisfaction of certain specified criteria) to a 36% reduction in total potable water production from 2013 levels. As adopted, the regulation requires areas with high per capita water usage to achieve proportionately greater reductions in water use than those with low use. The regulation provides that the 2,600 "small water suppliers" in the State that serve fewer than 3,000 customers or deliver less than 3,000 acre-feet of water annually are required to either achieve a 25% conservation standard or restrict outdoor irrigation to no more than two days per week. Commercial, industrial and institutional properties that are not served by a water supplier (or are self-supplied) are similarly required to either achieve a 25% conservation standard or restrict outdoor irrigation to no more than two days per week. Under the regulation, compliance by the 411 urban water suppliers will be assessed for the period of June 2015 through February 2016 as compared to water usage in the corresponding prior timespan of June 2013 through February 2014. In addition to the total monthly water production and specific reporting on residential use and enforcement action previously adopted by the SWRCB, the regulation adopted May 5, 2015 also includes new reporting requirements for urban water suppliers to include information on water use in the commercial, industrial and institutional sectors. In order to enforce compliance by water suppliers, the regulation authorizes the SWRCB to issue informational orders, conservation orders or cease and desist orders requiring additional specific actions by a water supplier that is not meeting its conservation standard. Failure to provide information requested pursuant to an informational order within the required timeframe would be subject to civil liability of up to \$500 per day for each day out of compliance. Water agencies that violate cease and desist orders may be subject to a civil liability of up to \$10,000 a day.

Under the adopted regulation, the District is classified in Tier 3 (July – September 2014 residential per capital water use of 76 gallons or more per day) and is subject to the 12% conservation standard proposed for that tier. At its May 18, 2015 Board meeting the District staff reported that year-to-date, the District has achieved a monthly water production savings, in comparison with to 2013, of 22% and a cumulative reduction of 16%. The District intends to take necessary actions to comply with such regulations.

On April 28, 2015, concurrent with the SWRCB's release of the Notice of Proposed Emergency Regulations for the subsequently adopted regulation, Governor Brown also announced that he would propose new legislation to provide expanded enforcement powers to local agencies, including the ability to deputize staff to issue water conservation-related warnings and citations and to impose fines up to \$10,000 per day for infractions of locally imposed water restrictions.

Future Water Supplies and Water Enterprise Improvements. Because of concern over the possibility of seawater intrusion in the 180-foot and 400-foot aquifers, the District is participating in various water supply projects, some with other water providers and public agencies overlying the Salinas groundwater basin and the neighboring Seaside groundwater basin. These projects include a recycled water project with MRWPCA, additional desalination facilities and a combination of both recycled water and desalination.

The District projects capital improvements to the Water Enterprise for existing and future users of approximately \$36,500,000 over the next five years. The District expects that such capital improvements will be funded by facility capacity fees, grants, loans, installment purchase agreements, and Gross Revenues. Such capital improvements include a desalination project to

be owned and operated by the District. The land on which the project is to be located is part of that in Armstrong Ranch acquired by the District in June 2010. Facilities will include the desalination plant and water transmission pipelines and storage and appurtenant facilities. District facilities will include a pretreatment system, a reverse osmosis treatment system, a post-treatment system, a return flow pipeline to return brine and spent backwash water to the outfall line, chemical feed and storage facilities, and non-process facilities including an administration and operations building, laboratory facilities, chemical buildings, pump housing, parking lot, access roads, power generators and an electrical building.

Wastewater Enterprise of the District

General. The District provides wastewater collection service to customers in the Central Marina and in the Ord Community service area. Wastewater is conveyed to interceptors owned by MRWPCA and is ultimately treated at the MRWPCA regional treatment plant.

Historic Wastewater Connections. The following table shows the growth in the number of wastewater connections to the Wastewater Enterprise for the five most recent Fiscal Years.

**Marina Coast Water District
Historic Wastewater Connections**

Fiscal Year Ending June 30	Total	% Increase/ Decrease
2010	7,789	--
2011	7,809	0.26%
2012	7,816	0.09
2013	7,962	0.19
2014	7,839	-0.15

Source: The District.

Historic Wastewater Enterprise Usage. The following table summarizes the volume of wastewater treated for the five most recent Fiscal Years.

**Marina Coast Water District
Historic Wastewater Enterprise Usage
In Daily Average Flow In Million Gallons Per Day (“MGD”)**

Fiscal Year Ending June 30	Central Marina	Ord Community	Total	% Increase/ Decrease
2010	1.02	1.10	2.12	--
2011	1.20	.92	2.12	0.00%
2012	1.20	.89	2.09	-1.40
2013	1.17	.93	2.10	0.40
2014	1.16	.89	2.05	-0.23

Source: The District.

Historic Wastewater Service Charge Revenues. The following table shows annual wastewater service charge revenues of the Wastewater Enterprise for the five most recent Fiscal Years.

**Marina Coast Water District
Historic Wastewater Service Charge Revenues**

Fiscal Year Ending June 30	Central Marina	Ord Community	Total	% Increase/ Decrease
2010	\$672,648	\$1,488,795	\$2,161,443	--
2011	714,356	1,636,658	2,351,014	8.80%
2012	759,959	1,693,668	2,453,627	4.63
2013	800,913	1,712,700	2,513,613	2.44
2014	805,035	1,702,013	2,507,048	-0.26

Source: The District.

Largest Customers. The following table sets forth the ten largest customers of the Wastewater Enterprise as of June 30, 2014 as determined by annual payments.

**Marina Coast Water District
Ten Largest Wastewater Customers[UPDATE/CONFIRM]**

Customer	Area	Annual Payments
Monterey Bay Military Housing	Ord Community	
Bayonet/Blackhorse Club House	Ord Community	
University Corporation at Monterey Bay	Ord Community	
California State Univ Monterey	Ord Community	
Bay View Mobile Home Park	Ord Community	
City of Marina	Ord Community	
Sun Bay Apartments	Ord Community	
Seaside Highlands H.O. Association	Ord Community	
LV44 Ltd. Partnership	Ord Community	
MPUSD - Seaside High School	Ord Community	
TOTAL		

Source: The District.

These ten largest customers accounted for approximately ___% of flow sales from the Wastewater Enterprise and approximately ___% of total District Gross Revenues in the Fiscal Year ending June 30, 2014. [UPDATE/CONFIRM]

Wastewater Enterprise Rates and Charges. The District completed a five-year rate study and financial plan in September 2013. The financial plan was to provide the resources necessary to properly fund the District's future needs and requirements identified in the plan. The District conducted a notification process under Proposition 218 to adopt rate increases for its Marina and Ord Community service areas for fiscal years 2015 through 2018. The following wastewater rates were adopted by the District in May 2014:

**Marina Coast Water District
Monthly Wastewater Rates – Central Marina**

Effective January 1, 2015
\$11.11 per equivalent dwelling unit (“EDU”)

Effective January 1, 2016
\$12.22 per EDU

Effective January 1, 2017
\$13.44 per EDU

Effective January 1, 2018
\$14.78 per EDU

**Marina Coast Water District
Monthly Wastewater Rates – Ord Community**

Effective January 1, 2015
\$27.55 per equivalent dwelling unit (“EDU”)

Effective January 1, 2016
\$28.65 per EDU

Effective January 1, 2017
\$29.80 per EDU

Effective January 1, 2018
\$32.18 per EDU

Monthly Capital Surcharge Billing (for connections after June 30, 2005 and before July 5, 2014)
\$5.00 per EDU per month

Source: The District.

The table below sets forth a comparison of the average bi-monthly wastewater billings of the District for a single family residential user to those of similar wastewater service providers as of July 2014.

Community	Monthly Bill
District – Central Marina	\$10.10
District – Ord Community	26.49
City of Pacific Grove	24.74
City of Monterey	10.25
City of Seaside	12.40

Source: The District.

Collection Procedures. The District is on a monthly billing cycle for water, wastewater collection and recycled water service. A consolidated bill is sent out every other month to District

customers. Payment is due by the 15th day after the billing date and is considered delinquent if not paid by that date. If payment is not received, a delinquency message appears on a reminder bill. Service to all accounts not paid in full within 60 days of the billing date will be discontinued until full payment is made.

Projected Wastewater Connections. The following table shows the increase in the number of wastewater connections to the Wastewater Enterprise projected by the District for the current and next four Fiscal Years.

**Marina Coast Water District
Projected Wastewater Connections**

Fiscal Year Ending June 30	Central Marina	Ord Community	Total	% Increase/ Decrease
2015	3,917	4,256	8,173	--
2016	3,917	4,439	8,356	2.20%
2017	3,917	4,630	8,547	2.20
2018	3,917	4,829	8,746	2.30
2019	3,917	5,036	8,953	2.30

Source: The District.

Projected Wastewater Enterprise Usage. The District currently estimates that Wastewater Enterprise usage for the current and next four Fiscal Years will be as follows:

**Marina Coast Water District
Projected Wastewater Enterprise Usage
In Daily Average Flow In MGD**

Fiscal Year Ending June 30	Central Marina	Ord Community	Total	% Increase/ Decrease
2015	1.16	.89	2.05	--
2016	1.16	.93	2.09	2.00%
2017	1.16	.97	2.13	1.90
2018	1.16	1.01	2.17	1.90
2019	1.16	1.05	2.21	1.80

Source: The District.

Projected Wastewater Service Charge Revenues. The following table projects annual wastewater service charge revenues of the Wastewater Enterprise for the current and next four Fiscal Years.

**Marina Coast Water District
Projected Wastewater Service Charge Revenues**

Fiscal Year Ending June 30	Central Marina	Ord Community	Total	% Increase/ Decrease
2015	\$924,200	\$1,903,000	\$2,758,610	--
2016	1,016,575	2,071,952	3,088,527	11.95%
2017	1,067,451	2,154,830	3,222,281	5.90
2018	1,174,196	2,372,216	3,546,412	10.10
2019	1,291,616	2,513,394	3,805,010	7.30

Source: The District.

Future Wastewater Enterprise Improvements. The District projects capital improvements to the Wastewater Enterprise for existing and future users of approximately \$19,000,000 over the next five years. The District expects that such capital improvements will be funded by facility capacity fees, grants, loans, installment purchase agreements, and Gross Revenues.

The District is in the process of installing a recycled water delivery system. The District projects the capital cost of a recycled water system is approximately \$40,000,000. FORA will participate in the project by contributing approximately \$24,000,000 for use in repaying a portion of the District's debt service on the proposed Regional Urban Water Augmentation Project. The remaining capital improvements will be financed by a combination of installment purchase agreements, grants, loans and Gross Revenues.

BOND OWNERS' RISKS

This section describes certain special considerations and risk factors affecting the payment of and security for the Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and the order does not necessarily reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider these special factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other considerations will not materialize in the future, and if additional considerations materialize to a sufficient degree, they could delay or prevent payment of principal of and interest on the Bonds.

Net Revenues; Rate Covenant

Net Revenues are dependent upon the demand for water and wastewater services, which can be affected by population factors, more stringent water standards, water regulations, water conservation, water shortages, problems with the Enterprises and other factors.

There can be no assurance that water and wastewater service demand will be consistent with the levels contemplated in this Official Statement. A decrease in demand could require an increase in rates or charges in order to comply with the rate covenant contained in the Indenture.

The District's ability to meet its rate covenant is dependent upon its capacity to increase rates without driving down demand to a level insufficient to meet debt service on the Bonds and future Parity Debt.

Risks Related to Facilities and Operations

The operation of the Enterprises and physical condition of the Enterprise facilities are subject to a number of risk factors that could adversely affect the reliability of water or wastewater service or increase the operating expenses of the Enterprises. Prolonged damage to the Enterprise facilities could interrupt the ability of the District to realize revenues sufficient to pay principal of and interest on the Bonds, require substantial increases in rates or charges in order to comply with the rate covenant in the Indenture (which could drive down demand for groundwater and related services), or require the District to increase expenditures for repairs significantly enough to adversely impact the District's ability to pay the principal of or interest on the Bonds.

These factors could include, among others, the following.

Aging Facilities. Over the life of the Bonds, the Enterprise facilities may become aged and in need of replacement or refurbishment. Long-lived facilities result in decreased reliability due to unplanned outages and place a greater maintenance burden on the District's operations.

Operation and Maintenance Expenses. There can be no assurance that operation and maintenance expenses of the District related to the Enterprises will be consistent with the levels contemplated in this Official Statement.

Seismic Hazards and Natural Disasters. The Enterprises are not located in an Alquist-Priolo Earthquake Fault Zone, however, they are located in a region of high seismic activity in the form of frequent medium earthquakes with nearby epicenters, as well as infrequent major earthquakes. Earthquakes can cause two types of hazards: primary and secondary. Primary seismic hazards include ground shaking and ground displacement, which in turn can induce secondary hazards. Secondary hazards include ground failure (lurch cracking, lateral spreading and slope failure), liquefaction, tsunamis and seiches and dam failure. The San Andreas Fault runs through the southeastern portion of the County for approximately 30 miles and poses the single greatest seismic risk to the City. Two other active faults include the Palo Colorado-San Gregorio Faultzone and the Monterey Bay Fault zone, which lies seaward of the City extending northwesterly to the Pacific Ocean. The western boundary of the City of Marina is located on the Pacific Ocean and the City is at risk of tsunami inundation along the shoreline and in the Salinas River flood plain to the north of the City.

From time to time, the service area of the District may be subject to other natural disasters, including without limitation wildfires, flooding and landslides, or man-made disasters that could interrupt operation of the Enterprises or adversely affect economic activity in the District's service area.

Sea Level Rise. Although the District has considered climate change and sea level rise in its groundwater model, and does not anticipate a large impact with respect to sea level rise in the next 50 years, a rise in sea level may impact the Enterprises and operations of the District.

There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to the Enterprises, including exacerbated infiltration and/or inflow of ground and other waters into the Enterprises, or that the District would have insurance or other resources available to make repairs in order to generate sufficient Net Revenues to pay debt service on the Bonds when due. The casualty and liability insurance maintained by the District may not cover damages and losses to the Enterprises due to earthquake, fire or flood.

Statutory and Regulatory Compliance. The operation of the Enterprises is subject to a variety of federal and State statutory and regulatory requirements. Any failure by the District to comply with applicable laws and regulations could result in significant fines and penalties.

Casualty Losses. The Indenture obligates the District to obtain and keep in force various forms of insurance for repair or replacement of a portion of the Enterprises in the event of damage or destruction to such portions of the Enterprises. No assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement of any other portion of the Enterprises.

Threat to Water Supply

The Monterey Peninsula, like the rest of the State of California, is in the midst of one of the worst droughts in its recorded history. On January 17, 2014, Governor Brown declared a drought in the State and requested a 20% reduction in water use statewide, and on April 1, 2015, the Governor signed an executive order that, among other measures, requires the SWRCB to impose mandatory restrictions on water use to achieve a Statewide 25% reduction in potable urban water usage. There can be no assurance that the Net Revenues of the District will not be affected by an ongoing drought.

Enterprise Expenses

There can be no assurance that Operation and Maintenance Costs of the Enterprises will be consistent with the levels described in this Official Statement. Changes in technology, increases in the cost of energy or other expenses would reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant. The ability to adopt rate increases is subject to Proposition 2018 and other factors; the inability to or failure to adopt rate increases could increase the likelihood of nonpayment. Increases in rates could also decrease demand and result in lower Net Revenues.

Limitations on Remedies Available to Bond Owners

The ability of the District to comply with its covenants under the Indenture and generate sufficient Net Revenues may be adversely affected by actions and events outside of the control of the District or taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "Proposition 218" below. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondholder remedies contained in the Indenture, the rights and obligations under the Bonds and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual 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; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 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.

Change in Law

In addition to the other limitations described herein, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues and adversely affecting the security of the Bonds.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the District in violation of its covenants in the Indenture. Should such an event of taxability occur, the Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Proposition 218

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, limited local governments' authority to impose or increase property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

Specifically, under Article XIII D, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

In addition, Article XIIC states that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives."

Judicial Interpretation of Proposition 218. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General's opinion initially indicated that fees and charges for water and wastewater services, which are based on the amount of services consumed, would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Proposition 218 under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3d 121 (2004)), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (26 Cal. Rptr. 3d 153 (2005)), the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (46 Cal. Rptr. 3d 73 (2006)), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Finally, in *Griffith v. Pajaro Valley Water Management Agency*, the Sixth District Court of Appeal held that the groundwater augmentation charges constitute a water service fee or charge under Proposition 218 and are therefore exempt from election requirements. The court also found that the Pajaro Valley Water Management Agency had complied with the substantive requirements of Proposition 218 by using a revenue-requirements model to determine the amount of the groundwater augmentation charges, and employing a reasonable method for allocating costs of service across its customer classes.

Current Practice Regarding Rates and Charges. Subsequent to the court's decision in the Griffith case, the District's practice in implementing increases in water rates and charges has been to comply with the requirements of Article XIII D, including the practice of providing property owners with a 45-day mailed notice and public hearing before the Board approves rate increases.

Conclusion. It is not possible to predict how courts will further interpret Article XIII C and Article XIII D in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the City's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the 2012 Bonds.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIII C and Article XIII D to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for water, or to call into question previously adopted water rate increases.

Limited Recourse on Default

If the District defaults on its obligation to pay the bonds, the Trustee, as assignee of the District, has the right to accelerate the total unpaid principal amounts of the Bonds. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Net Revenues to pay the accelerated Bonds.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a

particular issue 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.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

Future Parity Debt

As described in “SECURITY FOR THE BONDS; PARITY DEBT – Parity Debt” above, the Indenture permits the District to issue Parity Debt, under which its obligations would be payable on a parity with the payment debt service on the Bonds.

The coverage tests described in “SECURITY FOR THE BONDS; PARITY DEBT – Parity Debt” involve, to some extent, projections of Net Revenues. If Parity Debt is issued, the debt service coverage for the Bonds could be diluted below what it otherwise would be. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Bonds and any future Parity Debt.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

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

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

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

The District is of the opinion that charges for Water Service and Wastewater Service do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B. The District will covenant in the Indenture that it will prescribe rates and charges sufficient to provide for payment of debt service with respect to the Bonds in each year.

Proposition 218

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

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

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water or wastewater service is ultimately determined to be a “fee” or “charge” as defined in Article XIII D, the local government’s ability to increase such fee or charge may be limited by a majority protest.

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

Based upon the California Second District Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the California Supreme Court, it was generally believed that Article XIII D did not apply

to charges for metered water, which had been held to be commodity charges related to consumption of the service, not property ownership. The District was of the opinion that, under similar reasoning, its water, wastewater and recycled water charges not under commercial contracts were not subject to Article XIID. In a decision rendered in February, 2004, the California Supreme Court in *Richmond et al. v. Shasta Community Services District*, 32 Cal. 4th 409 (2004) upheld a Third District Court of Appeal decision that water connection fees were not property-related fees or charges subject to Article XIID while at the same time stating in dicta that fees for ongoing water service through an existing connection were property related fees and charges. On July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) and held that fees and charges for ongoing water service through an existing connection were property related fees and charges under Article XIID.

Article XIIC. Article XIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it is unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the California Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. The District and its general counsel do not believe that Article XIIC grants to the voters within the District the power to repeal or reduce rates and charges in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Certificates. Remedies available to beneficial owners of the Certificates in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

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

Proposition 26. On November 2, 2010, California voters approved Proposition 26, the so-called “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIIC of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26’s amendments to Article XIIC broadly define “tax,” but specifically exclude, among other things:

“(1) 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.

(2) 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.

...

(6) A charge imposed as a condition of property development.

(7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.”

Compliance by the District with Article XIIC and Article XIID. The District believes its water and wastewater service charges do not constitute a “tax” under Article XIIC. The District believes its connection fee is not a “tax” as defined by Proposition 26 because it is a charge to a landowner that is imposed (typically as a condition of property development) for a specific privilege and does not exceed the reasonable costs of conferring the privilege.

The District will continue to comply with the provisions of Articles XIIC and XIID and implementing legislation in connection with future rate increases, as such requirements may be interpreted by state courts.

As described in “SECURITY FOR THE BONDS” the District will pay the debt service payments on the Bonds from Net Revenues. As described above, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the District may not use such fee or charge for any purpose other than that for which it imposed the fee or charge.

Conclusion. It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Future Initiatives

Articles XIIB, XIIC and XIID of the California Constitution were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives could be proposed and adopted affecting the District’s revenues or ability to increase revenues.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Underwriter and the beneficial owners of the Bonds to provide certain financial information and operating data relating to the District no later than 270 days following the end of each Fiscal Year (the “**Annual Report**”), commencing with the report for the Fiscal Year ending June 30, 2015, and to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in APPENDIX D - “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the “**SEC**”) under the Securities Exchange Act of 1934.

The District entered into continuing disclosure undertakings with respect to its 2006 Certificates and its 2010 Subordinate Bonds. During the past five years, the District filed its comprehensive annual financial reports for fiscal years 2012, 2013 and 2014 on the Municipal Securities Rulemaking Board's EMMA website, however, these financial statements were only submitted with respect to the 2010 Subordinate Bonds and only the filing for 2014 was filed on a timely basis. No filings of annual financial reports were made on the EMMA website for the 2006 Certificates. Additionally, the District failed to file a notice of bond insurer downgrade with respect to the 2006 Certificates, and certain information that was required to be included in the annual filings was omitted from the comprehensive annual financial reports. The filings have since been made. The District did not self-report under the SEC's Municipalities Continuing Disclosure Cooperation Initiative. In order to ensure future timely and complete compliance with its undertakings, the District has contracted with _____ to act as Dissemination Agent.

LITIGATION

In connection with issuance of the Bonds, the District will certify that there is no litigation pending or, to the best knowledge of representatives of the District, threatened in any way to restrain or enjoin the issuance, execution or delivery of the Bonds, to contest the validity of the Bonds, the Indenture or any proceedings of the District with respect thereto.

Also in connection with issuance of the Bonds, representatives of the District will certify that there are no lawsuits or claims pending against the District that will materially affect the District's finances so as to impair the ability of the District to pay principal of and interest on the Bonds when due.

On April 5, 2010, Ag Land Trust ("ALT") filed a Petition for Writ of Mandate and Complaint for Declaratory Relief, against the District in the Monterey County, California Superior Court. The suit alleges that the District failed to comply with the California Environmental Quality Act in approving the acquisition of certain land in the area known as Armstrong Ranch in connection with a regional desalination project and that the regional project will interfere with ALT's water rights and will violate the Monterey County Water Resources Agency Act. See "THE DISTRICT AND THE ENTERPRISES - Water Enterprise of the District - Future Water Supplies and Water Enterprise Improvements." The suit asks that the District's actions approving the acquisition of the land and conditionally approving the District's participation in the regional desalination project be set aside and also asks for injunctive and declaratory relief and attorneys' fees. No temporary restraining order was sought or granted. The District closed escrow on the Armstrong Ranch property on June 30, 2010. The suit is still pending. No monetary damages, other than ALT's attorneys' fees and costs of suit are requested against the District. The District's ability to repay the owners of the Bonds will not materially be affected if ALT prevails in its suit, because neither the land nor revenue produced from the land have been considered as a source of repayment for the Bonds.

As a result of the termination of a substantial regional desalinated water project, a declaratory relief action entitled *California-American Water Company v. Marina Coast Water District, et al.*, Superior Court of California, County of San Francisco, Case No. CGC-13-528312 was filed by California-American Water Company ("Cal Am") against the District and Monterey County Water Resources Agency ("MCWRA"). Cal Am sought a Court determination as to whether the contracts by which that project was to be implemented were rendered void due to a conflict of interest violation by an MCWRA official. The District filed a cross complaint seeking a declaration that the contracts were valid in order to seek reimbursement for its costs incurred in

implementing the project in accordance with the agreements. MCWRA filed a cross complaint seeking a declaration that the contracts were invalid due to the conflicts of interest violations of its own official. Damages claims among the three parties have been tolled by mutual agreement pending the outcome of the declaratory relief action. Judgment was entered declaring the contracts void. The District is considering an appeal from that Judgment. All three parties must now either extend the tolling agreements or promptly file damages actions in Superior Court in order to preserve damages claims.

RATING

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

The ratings reflect only the views of S&P and an explanation of the significance of the ratings, and any outlook assigned to or associated with these ratings, should be obtained from S&P.

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

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

TAX MATTERS

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

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

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

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

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

Form of Proposed Opinion. The form of the proposed opinion of Bond Counsel is attached as APPENDIX C.

CERTAIN LEGAL MATTERS

The legal opinion of Bond Counsel, approving the validity of the Bonds, in substantially the form attached hereto as APPENDIX C, will be made available to purchasers at the time of original delivery of the Bonds, and a copy thereof will be printed on each Bond.

Certain matters will be passed upon for the Underwriter by its counsel Norton Rose Fulbright US LLP and for the District by Griffith & Masuda, A Professional Law Corporation, General Counsel to the District.

Payment of the fees and expenses of Bond and Disclosure Counsel and counsel to the Underwriter will be contingent upon issuance of the Bonds.

ESCROW VERIFICATION

Grant Thornton will verify, based on certain assumptions provided by the Underwriter, certain mathematical computations as to (i) the sufficiency of the projected cash flow receipts of investment income from the federal securities and cash to be deposited in the Escrow Fund to pay, when due on certain dates designated for payment and prior prepayment, principal and interest with respect to the 2006 Certificates and (ii) the yield on the Bonds and on the federal securities purchased with proceeds of the Bonds to be deposited in the Escrow Fund.

UNDERWRITING

The Bonds are being purchased by BOSCO, Inc., a subsidiary of BOK Financial Corporation (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price equal to \$_____, which equals the par amount of the Bonds (\$_____), less an Underwriter's discount of \$_____, plus a net original issue premium of \$_____. The bond purchase agreement between the District and the Underwriter provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, plus accrued interest from the dated date of the Bonds to their date of delivery, which prices may subsequently change without any prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

The Underwriter is not a bank and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

MISCELLANEOUS

The execution and delivery of this Official Statement has been duly authorized by the District.

MARINA COAST WATER DISTRICT

By: _____
President, Board of Directors

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2014**

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX C

FORM OF BOND COUNSEL OPINION

[LETTERHEAD OF JONES HALL]

[Closing Date]

Board of Directors
Marina Coast Water District
11 Reservation Road
Marina, California 93933

OPINION: \$ _____ Marina Coast Water District
2015 Senior Lien Enterprise Revenue Refunding Bonds

Members of the Board of Directors:

We have acted as bond counsel in connection with the issuance by Marina Coast Water District (the "District") of \$ _____ aggregate principal amount of bonds of the District designated the "Marina Coast Water District 2015 Senior Lien Enterprise Revenue Refunding Bonds" (the "Bonds"), issued under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division two of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Refunding Bond Law"), and under an Indenture of Trust dated as of June 1, 2015 (the "Indenture"), between the District and MUFJ Union Bank, N.A., as trustee, and a resolution of the Board of Directors of the District adopted on June 4, 2015. We have examined the Refunding Bond Law, an executed copy of the Indenture and such certified proceedings and other papers as we deem necessary to render this opinion.

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

Based upon our examination we are of the opinion, under existing law, that:

1. The District is a county water district duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the District and are legal, valid and binding obligations of the District, payable solely from Net Revenues and the sources provided therefor in the Indenture.
3. The Indenture has been duly approved by the District and constitutes a legal, valid and binding obligation of the District enforceable against the District in accordance with its terms.

4. The Indenture establishes a valid lien on and pledge of the Net Revenues of the Water Enterprise and the Wastewater Enterprise (as such terms are defined in the Indenture) for the security of the Bonds and any obligations issued on a parity therewith.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. The opinions set forth in this paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the delivery of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by Marina Coast Water District (the “District”) in connection with the issuance of the \$_____ aggregate principal amount of Marina Coast Water District 2015 Senior Lien Enterprise Revenue Refunding Bonds (the “Bonds”). The Bonds are being issued under an Indenture of Trust dated as of June 1, 2015 (the “Indenture”) between the District and MUFG Union Bank, N.A., as trustee (the “Trustee”). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth hereinabove and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

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

“*Annual Report Date*” means the date that is nine months after the end of the District’s fiscal year (currently April 1 based on the District’s fiscal year end of June 30).

“*Dissemination Agent*” means a Dissemination Agent designated in writing by the District and which has filed with the District and the Trustee a written acceptance of such designation.

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

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

“*Participating Underwriter*” means BOSC, Inc., a subsidiary of BOK Financial Corporation, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2016, with the report for the 2014-15 fiscal year, provide

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

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

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

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

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

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

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

- (i) Principal amount of Bonds outstanding.

(ii) An update of the information in the following tables under caption entitled “THE DISTRICT AND THE ENTERPRISES – Water Enterprise of the District” in the Official Statement:

- (A) Historic Water Connections.
- (B) Historic Water Deliveries In Acre Feet Per Year.
- (C) Historic Water Sales Revenues.

(iii) An update of the information in the following tables under the caption entitled “THE DISTRICT AND THE ENTERPRISES – Wastewater Enterprise of the District” in the Official Statement:

- (A) Historic Wastewater Connections.
- (B) Historic Wastewater Enterprise Usage.
- (C) Historic Wastewater Service Charge Revenues.

(iv) A table showing Net Revenues and Expenditures of the District for the last fiscal year presented in a similar format as the table entitled “THE DISTRICT AND THE ENTERPRISES - Historic Operating Results”.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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

Section 5. Reporting of Significant Events.

(a) Under the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other notices or determinations, in each case, with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds,
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, or tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person.
- (13) The consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States

Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District .

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

Section 7. Termination of Reporting Obligation. The District'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 District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee.

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

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

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

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

The Dissemination Agent shall agree to any amendment so requested by the District; provided neither the Trustee nor the Dissemination Agent shall be obligated to enter into any amendment increasing or affecting its duties or obligations.

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

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

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

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. Any notice or communications to be given under this Disclosure Certificate may be given as follows:

To the Issuer:

Marina Coast Water District
11 Reservation Road
Marina, California, 95933
Attention: General Manager

To the Participating Underwriter: BOSC, Inc.
1301 Dove Street, Suite 350
Newport Beach, California 92660
Attention: Carmen Vargas

To the Trustee: MUFG Union Bank, N.A.
350 California St., 11th Floor
San Francisco, California 94104
Attention: Corporate Trust Department

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

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

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

Date: [Closing Date]

MARINA COAST WATER DISTRICT

By: _____

**EXHIBIT
NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Party: Marina Coast Water District
Name of Bond Issue: Marina Coast Water District 2015 Senior Lien Enterprise Revenue Refunding Bonds
Date of Issuance: [Closing Date]

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

Dated: _____

DISSEMINATION AGENT:

By: _____

Its: _____

cc: Trustee and Participating Underwriter

APPENDIX E

BOOK ENTRY ONLY SYSTEM

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

Neither the District nor the Trustee take any responsibility for the information contained in this Appendix.

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

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

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

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

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

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or 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 nor its nominee, Trustee, or District, 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 District or 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.

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

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

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