

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2013



NEW ISSUE—BOOK-ENTRY ONLY

S&P: \_\_\_\_\_  
(See "RATINGS")

*In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject however, to certain qualifications described in this Official Statement, under existing law, interest on the 2013 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, interest on the 2013 Bonds is exempt from personal income taxation imposed by the State of California. See "Tax Matters"*

**\$5,885,000\***  
**COUNTY OF CONTRA COSTA**  
**COMMUNITY FACILITIES DISTRICT NO. 2001-1**  
**(NORRIS CANYON)**  
**2013 SPECIAL TAX REFUNDING BONDS**

**Dated: Date of Delivery**

**Due: September 1, as shown below**

The County of Contra Costa Community Facilities District No. 2001-1 (Norris Canyon) 2013 Special Tax Refunding Bonds (the "2013 Bonds") are being issued to provide funds to: (i) refund and defease all of the \$5,720,000 outstanding principal amount of County of Contra Costa Community Facilities District No 2001-1 (Norris Canyon) 2001 Special Tax Bonds; (ii) fund a reserve fund as security for the 2013 Bonds; and (iii) pay certain costs associated with the issuance of the 2013 Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS." The 2013 Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 *et seq.* of the California Government Code) (the "Act") and Article 11, commencing with Section 53580, of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law") and a Fiscal Agent Agreement (the "Fiscal Agent Agreement"), dated as of January 1, 2013, by and between the County of Contra Costa (the "County") for and on behalf of the County of Contra Costa Community Facilities District No. 2001-1 (Norris Canyon) (the "District") and The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as Fiscal Agent.

The 2013 Bonds are limited obligations of the County payable solely from a special tax (the "Special Tax") levied by the County on certain real property within the District and are secured by a pledge of all Special Tax Revenues (defined herein) and certain moneys deposited in certain funds established under the Fiscal Agent Agreement. The Special Tax is levied according to the rate and method of apportionment of the Special Tax and does not constitute a personal indebtedness of the respective property owners. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS—Special Tax Authorization," "—Special Tax Formula" and APPENDIX A—"RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The 2013 Bonds will be issued as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof, in book-entry form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the 2013 Bonds will not receive physical certificates representing their interest in the 2013 Bonds. For so long as the 2013 Bonds are registered in the name of Cede & Co., the Fiscal

Agent will make all payments of principal and interest on the 2013 Bonds to DTC, which, in turn, is obligated to remit such principal and interest to DTC Participants (defined herein) for subsequent disbursement to the Beneficial Owners (defined herein) of the 2013 Bonds. See APPENDIX F–“DTC AND THE BOOK-ENTRY ONLY SYSTEM.” Interest on the 2013 Bonds will be payable on March 1 and September 1 of each year (each an “Interest Payment Date”), commencing September 1, 2013. See “THE 2013 BONDS–Description of the 2013 Bonds.”

The 2013 Bonds are subject to optional redemption prior to their stated maturities. The 2013 Bonds are subject to mandatory redemption prior to their stated maturities, as a whole or in part, on any Interest Payment Date, at a redemption price equal to 103% of the 2013 Bonds to be redeemed from prepayments of the Special Tax. See “THE 2013 BONDS–Redemption Provisions.”

***The Series 2013 Bonds are limited obligations of the County on behalf of the District payable solely from the Special Tax (including any prepayments thereof and proceeds collected from the sale of property pursuant to foreclosure provisions as set forth in the Fiscal Agent Agreement for delinquency in payment of the Special Tax) and certain funds established pursuant to the Fiscal Agent Agreement and held by the Fiscal Agent, as more fully described herein. Neither the faith and credit nor any general taxing power of the County or the State of California or any political subdivision thereof is pledged to the payment of the 2013 Bonds. Except for the Special Tax, no other taxes are pledged to the payment of the 2013 Bonds.***

MATURITY SCHEDULE  
(See inside cover page)

This cover page contains certain information for quick reference only. It is *not* a complete summary of the terms of this bond issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the 2013 Bonds. See “CERTAIN RISK FACTORS” for a discussion of certain risk factors that should be considered, in addition to the other matters discussed herein, in considering the investment quality of the 2013 Bonds.

*The 2013 Bonds are offered when, as and if issued by the County for the District and accepted by the Underwriter, subject to the approval as to their legality by Quint & Thimmig, LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the County and the District by County Counsel, and Lofton & Jennings, San Francisco, California, Disclosure Counsel, and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, Underwriter’s Counsel. It is anticipated that the 2013 Bonds will be available for delivery in book-entry only form through the facilities of DTC in New York, New York on or about \_\_\_\_\_, 2013.*

**Stone & Youngberg, a Division of Stifel Nicolaus**

Dated: \_\_\_\_\_, 2013

\* Preliminary, subject to change.

**\$5,885,000\***  
**COUNTY OF CONTRA COSTA**  
**COMMUNITY FACILITIES DISTRICT NO. 2001-1**  
**(NORRIS CANYON)**  
**2013 SPECIAL TAX REFUNDING BONDS**

**MATURITY SCHEDULE**

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u> <sup>†</sup>
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				

<sup>†</sup> Copyright 2013, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is *not* intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for reference only. Neither the County nor the Underwriter is responsible for the accuracy, the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the applicable 2013 Bonds or as included herein. The CUSIP numbers of specific maturities are subject to change following the issuance of the 2013 Bonds as a result of various actions, including, but not limited to, a refunding in whole or in part or as the result of the procurement of a secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2013 Bonds.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the County or the District to give any information or to make any representation with respect to the 2013 Bonds other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the 2013 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2013 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from the County and the District and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the District since the date hereof. This Official Statement is submitted in connection with the sale of the 2013 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Fiscal Agent Agreement. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Electronic Municipal Market Access site maintained by the Municipal Securities Rulemaking Board.

Any statement made in this Official Statement involving any forecast or matter of estimates or opinion, whether or not expressly stated, is intended solely as such and not as a representation of fact. 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 (the “Securities Act”). Such forward-looking statements are generally identified by use of the words “plan,” “project,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements refer to the achievement of certain results or other expectations or performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward looking statements. Neither the County nor the District plans to issue updates or revisions to such forward-looking statements if or when the expectations, events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

The 2013 Bonds have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The registration or qualification of the 2013 Bonds in accordance with applicable provisions of Securities Laws of the states in which these Bonds have been registered or qualified, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the securities or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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, their 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.

In connection with the offering of the 2013 Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2013 Bonds offered hereby at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2013 Bonds to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

The County maintains a website. Unless specifically indicated otherwise, the information presented on that website is **not** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2013 Bonds.

## COUNTY OF CONTRA COSTA

### Board of Supervisors

Mary N. Piepho  
(District 3)  
*Chair*

John M. Gioia  
(District 1)  
*Vice Chair*

Candace Andersen  
(District 2)

Karen Mitchoff  
(District 4)

Federal D. Glover  
(District 5)

### County Staff

David J. Twa  
*Clerk of the Board and County Administrator*

Catherine Kutsuris  
*Director, Department of Conservation and Development*

Robert R. Campbell  
*Auditor-Controller*

Russell V. Watts  
*Treasurer-Tax Collector*

Sharon L. Anderson  
*County Counsel*

Stephen L. Weir  
*County Clerk-Recorder*

### SPECIAL SERVICES

Quint & Thimmig LLP  
San Francisco, California  
*Bond Counsel*

Lofton & Jennings  
San Francisco, California  
*Disclosure Counsel*

Goodwin Consulting Group, Inc.  
Sacramento, California  
*Special Tax Consultant*

The Bank of New York Mellon Trust Company, N.A.  
San Francisco, California  
*Fiscal Agent*

Fieldman, Rolapp & Associates  
Irvine, California  
*Financial Advisor*

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[INSERT AREA MAP HERE]



**\$5,885,000\***  
**COUNTY OF CONTRA COSTA**  
**COMMUNITY FACILITIES DISTRICT NO. 2001-1**  
**(NORRIS CANYON)**  
**2013 SPECIAL TAX REFUNDING BONDS**

**INTRODUCTION**

*This introduction contains only a brief summary of certain of the terms of the 2013 Bonds being offered, and a full review should be made of the entire Official Statement including the cover page, the table of contents and the appendices for a more complete description of the terms of the 2013 Bonds. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings given to such terms as set forth in the Fiscal Agent Agreement (defined below). See APPENDIX A–“SUMMARY OF THE FISCAL AGENT AGREEMENT–DEFINITIONS.”*

**General; Authority for Issuance**

The purpose of this Official Statement, including the cover page, the inside cover page and the appendices, is to furnish information in connection with the sale and delivery by the County of Contra Costa (the “County”) of \$5,885,000\* principal amount of County of Contra Costa Community Facilities District No 2001-1 (Norris Canyon) 2013 Special Tax Refunding Bonds (the “2013 Bonds”).

The 2013 Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (being Chapter 2.5, Part 1, Division 2, Title 5, of the Government Code of the State of California, constituting Section 53311 *et seq.* of the California Government Code) (the “Act”) and Article 11, commencing with Section 53580, of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Refunding Law”), and pursuant to a Fiscal Agent Agreement, dated as of January 1, 2013 (the “Fiscal Agent Agreement”), by and between the County, for and on behalf of the County of Contra Costa Community Facilities District No 2001-1 (Norris Canyon) (the “District”), and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the “Fiscal Agent”).

Under the Act, the Board of Supervisors of the County (the “Board of Supervisors”), as the legislative body of the District, is authorized to issue bonds and levy and collect a special tax within the District to repay such indebtedness.

The 2013 Bonds are secured solely by a pledge of the annual special tax (the “Special Tax”) levied by the County (including any prepayment thereof and proceeds from foreclosure sales pursuant to the Fiscal Agent Agreement) on Taxable Property within the District pursuant to the Act and the funds and accounts established pursuant to the Fiscal Agent Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS.” The Special Tax is levied in accordance with the Rate and Method of Apportionment of Special Tax (the “Special Tax Formula”) in an amount sufficient to pay the principal and interest on the 2013 Bonds, pay the administrative expenses of the District and to make any replenishments to the Reserve Fund consistent with the Special Tax Formula. The Special Tax is included on the regular property tax bill sent to the record owners of properties within the District. The County covenants for the benefit of the owners of the 2013 Bonds, under certain circumstances described herein, to commence foreclosure actions against property with delinquent Special Tax and to diligently pursue such actions to completion. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS–Special Tax Authorization” and “–Covenant for Foreclosure.”

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\* Preliminary, subject to change.

## **Purpose**

The 2013 Bonds are being issued to provide funds to: (i) refund and defease all of the outstanding \$5,720,000 principal amount of County of Contra Costa Community Facilities District No 2001-1 (Norris Canyon) 2001 Special Tax Bonds (the “Prior Bonds”); (ii) fund a reserve fund as security for the 2013 Bonds; and (iii) pay certain costs associated with the issuance of the 2013 Bonds. See “PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF FUNDS.”

## **The County**

The County is located northeast of the San Francisco Bay and is the ninth most populous County in the State of California. As of January 1, 2012, the population within the County was 1,065,117. For economic and demographic information with respect to the County, see APPENDIX A–“GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION.”

## **The District**

The District, created in 2001, is located in an unincorporated portion of the County near the western edge of the City of San Ramon. For the location of the District, see the map on page v. The District is comprised of approximately 1,189 gross acres, of which approximately 800 acres is open space. For Fiscal Year 2012-13, the Special Tax was levied on 271 parcels of Residential Property (as defined herein) of the total 361 parcels within the District. The development within the District, known as “Norris Canyon Estates,” is a gated community, featuring large, single-family homes on one-third to one-half acre sites, walking trails, tennis and basketball courts, playground and community centers. The aggregate Fiscal Year 2012-13 assessed value of the 271 parcels of Residential Property subject to the Fiscal Year 2012-13 Special Tax levy is \$373,218,307, which is more than 62\* times the principal amount of the 2013 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS–Special Tax Formula” and “THE DISTRICT–Value of the District” and “–Direct and Overlapping Debt.”

## **Security and Sources of Payment for the 2013 Bonds**

Payments of interest on and principal of the 2013 Bonds will be made solely from the proceeds of the Special Tax received by the County, including any scheduled payments thereof, interest and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Tax to the amount of said interest, but shall not include any interest in excess of the interest due on the 2013 Bonds or any penalties collected in connection with any such foreclosure (the “Special Tax Revenues”). The Special Tax is authorized to be levied annually by the Board of Supervisors, acting as the legislative body of the District, on all Taxable Property in the District under and pursuant to the Act and the election held in the District on June 5, 2001. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS–Special Tax Authorization.”

***The Series 2013 Bonds are limited obligations of the County on behalf of the District payable solely from the Special Tax (including any prepayments thereof and proceeds collected from the sale of property pursuant to foreclosure provisions as set forth in the Fiscal Agent Agreement for delinquency in payment of the Special Tax) and certain funds established pursuant to the Fiscal Agent Agreement and held by the Fiscal Agent, as more fully described herein. Neither the faith and credit nor any general taxing power of the County or the State of California or any political subdivision thereof is pledged to the payment of the 2013 Bonds. Except for the Special Tax, no other taxes are pledged to the payment of the 2013 Bonds.***

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\* Preliminary, subject to change.

If the Special Tax is not paid when due, the only other source of funds to repay the 2013 Bonds will be the amounts held by the Fiscal Agent in certain of the funds established under the Fiscal Agent Agreement, including amounts held in the Reserve Fund and the proceeds, if any, from foreclosure sales of land with delinquent Special Tax. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS—Covenant to Foreclose.”

***Reserve Fund.*** A reserve fund for the 2013 Bonds (the “Reserve Fund”) is established under the Fiscal Agent Agreement. The Reserve Fund is required to be maintained in the amount of the Reserve Requirement (defined herein).

Upon the issuance and delivery of the 2013 Bonds, proceeds of the 2013 Bonds in the amount of \$\_\_\_\_,000 will be deposited into the Reserve Fund, which amount is equal to the Reserve Requirement. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS—Reserve Fund.”

### **Risks to Bondowners**

Certain events could affect the ability of the County to pay debt service on the 2013 Bonds when due and an investment in the 2013 Bonds involves risks that should be considered in addition to other matters described herein in evaluating the investment quality of the 2013 Bonds. See “CERTAIN RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2013 Bonds

### **Continuing Disclosure**

The County has covenanted for the benefit of the beneficial owners of the 2013 Bonds to provide certain financial information and operating data relating to the County and the District by no later than eight months after the end of each Fiscal Year (which fiscal year currently ends June 30), commencing with the report due for the Fiscal Year ended June 30, 2013 (each, an “Annual Report”), and to provide notices of the occurrence of certain specified events. The Annual Report and notices of specified events will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access site. The specific nature of the information to be contained in the Annual Report or the notices of specified events is set forth in APPENDIX E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

In order to provide certain continuing disclosure with respect to the 2013 Bonds in accordance with the Rule 15c2-12, the County entered into a Continuing Disclosure Certificate for the benefit of the Owners of the 2013 Bonds and has appointed Digital Assurance Certification, L.L.C. (“DAC”) as Dissemination Agent. The form of Continuing Disclosure Certificate is set forth in APPENDIX E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

See “CONTINUING DISCLOSURE” for a summary of the County’s compliance in the previous five years with its continuing disclosure undertakings.

### **Tax Matters**

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject however, to certain qualifications described in this Official Statement, under existing law, interest on the 2013 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, interest on the 2013 Bonds is exempt from personal

income taxation imposed by the State of California. See “TAX MATTERS” and APPENDIX B–“PROPOSED FORM OF OPINION OF BOND COUNSEL.”

### **Additional Information**

This Official Statement contains brief descriptions of, among other things, the 2013 Bonds, the security for the 2013 Bonds, the District, and the Fiscal Agent Agreement and certain other documents. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Fiscal Agent Agreement are qualified in their entirety by reference to such documents, copies of which are available for inspection at the office of Fiscal Agent, The Bank of New York Mellon Trust Company, N.A., 100 Pine Street, Suite 3100, San Francisco, California 94111; Attention: Corporate Trust Department.

### **PLAN OF REFUNDING**

A portion of the proceeds from the sale of the 2013 Bonds will be used by the County together with other available moneys, to establish an irrevocable escrow (the “Refunding Fund”) to redeem all of the County of Contra Costa Community Facilities District No. 2001-1 (Norris Canyon) 2001 Special Tax Refunding Bonds in the outstanding principal amount of \$5,720,000 (the “Prior Bonds”) on March 1, 2013 at a redemption price equal to 101% of the principal amount of the 2013 Bonds, plus accrued interest to the redemption date.

The Prior Bonds were issued by the County to finance the design and construction of various off-site public improvements within the District, including street, water and utility facilities, construction of landscaping and irrigation facilities, and acquisition of all necessary real property interests in real property and to pay fees required by public agencies for sewer, water, schools, parks, traffic mitigation and other related fees, charges and expenses (collectively, the “Facilities”). All of the Facilities have been completed and installed. See “THE DISTRICT.”

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The Prior Bonds consist of the following:

**Table 1**  
**\$5,720,000**  
**County of Contra Costa**  
**Community Facilities District No. 2001-1 (Norris Canyon)**

<b><u>Maturity Date</u></b> <b><u>(September 1)</u></b>	<b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>CUSIP</u></b> <sup>†</sup>
2013	\$175,000	5.400%	212288BQ6
2014	185,000	5.500	212288BR4
2015	195,000	5.600	212288BS2
2016	210,000	5.650	212288BT0
2017	220,000	5.750	212288BU7
2018	230,000	5.850	212288BV5
2019	240,000	5.900	212288BW3
2026	2,190,000	6.000	212288BX1
2031	2,205,000	6.100	212288BY9

<sup>†</sup> Copyright 2013, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is *not* intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for reference only. Neither the County nor the Underwriter take any responsibility for the accuracy of such numbers.

Upon the sale of the 2013 Bonds, the County will apply a portion of the proceeds therefrom, together with certain other available moneys, to establish the Refunding Fund pursuant to the Escrow Agreement, dated January 1, 2013 (the "Escrow Agreement") by and between the County and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"). Amounts deposited in the Refunding Fund will be held in cash, uninvested, in an amount sufficient to pay the principal of, interest on and redemption premium of, the Prior Bonds on March 1, 2013.

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## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are summarized as follows:

### Sources of Funds

Par Amount of 2013 Bonds.....	
Transfer of Prior Bonds Funds.....	
<i>Less:</i> Net Original Issue Discount .....	
TOTAL SOURCES.....	

### Uses of Funds

Deposit to the Refunding Fund <sup>(1)</sup> .....	
Deposit to Reserve Fund .....	
Deposit to Costs of Issuance Fund <sup>(2)</sup> .....	
Underwriters' Discount.....	
TOTAL USES .....	

<sup>(1)</sup> See "PLAN OF REFUNDING."

<sup>(2)</sup> Includes the fees and expenses of Bond Counsel and Disclosure Counsel, fees and expenses of the Fiscal Agent, the Financial Advisor and the Special Tax Consultant, printing costs, rating agency fees and other costs related to the issuance of the 2013 Bonds.

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## DEBT SERVICE SCHEDULE

### Debt Service Schedule

The table below sets forth the scheduled annual debt service payments on the 2013 Bonds, assuming no optional redemption, or redemption from prepayments of the Special Tax.

**Table 2**  
**Debt Service Schedule**

<u>Year Ending September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
TOTAL			

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## THE 2013 BONDS

### Authority for Issuance

Pursuant to the Act, the Board of Supervisors established the District on June 5, 2001, and an election of the sole property owner was held authorizing the issuance of bonded indebtedness, in an amount not to exceed \$7,220,000, and approving the Special Tax Formula. For a description of the Special Tax Formula and the amount of the Special Tax that can be collected from the Taxable Property within the District, see "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS," "THE DISTRICT" and APPENDIX A—"RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

### Description

The 2013 Bonds will be dated as of the date of initial delivery, issued only in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof. The 2013 Bonds will mature in the principal amounts, and will bear interest at the respective rates shown on the inside cover page of this Official Statement. Interest on the 2013 Bonds will be payable on each March 1 and September 1, commencing September 1, 2013 (each an "Interest Payment Date"). Interest on the 2013 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The 2013 Bonds will be dated the date issued in fully registered form, without coupons, and, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2013 Bonds. Ownership interests in the 2013 Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interests in the 2013 Bonds purchased.

Interest on the 2013 Bonds will be payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Fiscal Agent as the Owner thereof as of the 15th day of the month next preceding the month of the applicable Interest Payment Date, whether or not such 15th day is a Business Day (the "Record Date") immediately preceding each such Interest Payment Date, such interest to be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such Owner as it appears on the registration books maintained by the Fiscal Agent as of the preceding Record Date. Principal of and premium (if any) on any 2013 Bond will be paid by check upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Principal Office of the Fiscal Agent.

So long as the 2013 Bonds are registered in the name of the Cede & Co., all payments of principal of, and interest on, the 2013 Bonds will be paid by the Fiscal Agent to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2013 Bonds. See APPENDIX F—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

### Redemption Provisions

**Optional Redemption.** The 2013 Bonds maturing on or after September 1, 20 \_\_, are subject to optional redemption prior to their stated maturities on any Interest Payment Date occurring on or after September 1, 20 \_\_, as a whole or in part, upon payment from any source of funds available for that purpose, at a redemption price equal to the principal amount of the 2013 Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

**Mandatory Redemption From Special Tax Prepayments** The 2013 Bonds are subject to mandatory redemption prior to their stated maturity on any Interest Payment Date, from the proceeds of Special Tax Prepayments and corresponding transfers of funds from the Reserve Fund pursuant to the Fiscal Agent Agreement, as a whole or in part, on any Interest Payment Date, at a redemption price



(expressed as a percentage of the principal amount of the 2013 Bonds to be redeemed), together with accrued interest thereon to the date fixed for redemption, as set forth below:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
March 1, 2013 to and including March 1, 20__	____%
September 1, 20__ and March 1, 20__	____
September 1, 20__ and March 1, 20__	____
September 1, 20__ and thereafter	____

### **Purchase of Bonds in Lieu of Redemption**

In lieu of redemption of the 2013 Bonds pursuant to the Fiscal Agent Agreement, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2013 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase prior to the selection of 2013 Bonds for redemption, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2013 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

### **Redemption Procedures**

***Selection of Bonds for Redemption.*** Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2013 Bonds or any given portion thereof, the Fiscal Agent is required to select the 2013 Bonds to be redeemed, from all 2013 Bonds or such given portion thereof not previously called for redemption among maturities so as to maintain substantially level debt service on the 2013 Bonds, and within a maturity by lot in any manner which the Fiscal Agent in its sole discretion deemed appropriate and fair.

For purposes of such selection, all 2013 Bonds are deemed to be comprised of separate \$5,000 portions and such portions shall be treated as separate Bonds which will be separately redeemed.

***Notice of Redemption.*** The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services (or by such other means as permitted by such services), and to the respective registered Owners of any 2013 Bonds designated for redemption, at their addresses appearing on the 2013 Bond registration books in the Principal Office of the Fiscal Agent; but is mailing shall not a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such 2013 Bonds.

Such notice is required to state the redemption date and the redemption price and, if less than all of the then Outstanding 2013 Bonds are to be called for redemption, designate the CUSIP numbers and Bond numbers of the 2013 Bonds to be redeemed by giving the individual CUSIP number and Bond number of each 2013 Bond to be redeemed or state that all 2013 Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the 2013 Bonds of one or more maturities have been called for redemption, state as to any 2013 Bond called in part the principal amount thereof to be redeemed, and require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date.

So long as the 2013 Bonds are registered in the name of the Cede & Co., all notices with respect to such 2013 Bonds will be made and given to DTC. See APPENDIX F—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

***Conditional Notice of Redemption.*** In the case of any redemption of the 2013 Bonds, the notice of redemption may state that the redemption is conditioned upon receipt by the Fiscal Agent of sufficient moneys to redeem the 2013 Bonds on the anticipated redemption date, and that the redemption will not occur if by no later than the scheduled redemption date sufficient moneys to redeem the 2013 Bonds have not been deposited with the Fiscal Agent.

In the event that the Fiscal Agent does not receive sufficient funds by the scheduled redemption date to so redeem the 2013 Bonds to be redeemed, the Fiscal Agent is required to send written notice to the owners of the 2013 Bonds, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the 2013 Bonds for which notice of redemption was given will remain Outstanding for all purposes of the Fiscal Agent Agreement.

***Partial Redemption of 2013 Bonds.*** In the event only a portion of any 2013 Bond is called for redemption, then upon surrender of such 2013 Bond, the County is required to execute and the Fiscal Agent is required to authenticate and deliver to the registered Owner, at the expense of the County, a new 2013 Bond or 2013 Bonds, in authorized denominations, equal in aggregate principal amount to the unredeemed portion of the 2013 Bond or 2013 Bonds surrendered.

***Effect of Redemption.*** From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2013 Bonds so called for redemption have been deposited in the 2013 Bond Fund, such 2013 Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

All 2013 Bonds redeemed and purchased by the Fiscal Agent pursuant to the Fiscal Agent Agreement will be canceled by the Fiscal Agent.

## **SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS**

### **General**

The 2013 Bonds constitute limited obligations of the District payable as to both principal and interest and redemption premium, if any, from the Special Tax levied by the County on Taxable Property within the District, including proceeds from the sale of property collected as result of foreclosure of the lien of the Special Tax, net of the cost to the County of administering the District, and certain funds and accounts held under the Fiscal Agent Agreement.

***The Series 2013 Bonds are limited obligations of the County on behalf of the District payable solely from the Special Tax (including any prepayments thereof and proceeds collected from the sale of property pursuant to foreclosure provisions as set forth in the Fiscal Agent Agreement for delinquency in payment of the Special Tax) and certain funds established pursuant to the Fiscal Agent Agreement and held by the Fiscal Agent, as more fully described herein. Neither the faith and credit nor any general taxing power of the County or the State of California or any political subdivision thereof is pledged to the payment of the 2013 Bonds. Except for the Special Tax, no other taxes are pledged to the payment of the 2013 Bonds.***

### **Special Tax Authorization**

Pursuant to the Act, on June 5, 2001, the Board of Supervisors adopted a resolution establishing the District and calling a special election to authorize the issuance of bonds and the levy of the Special Tax. On June 5, 2011, at an election held pursuant to the Act, Toll Land XXII Limited Partners, an affiliate of Toll Brothers, Inc. (the "Developer") as the sole property owner within the District authorized the issuance of bonded indebtedness in an amount not to exceed \$7,220,000 and approved the Special Tax

Formula to pay the principal of, and interest on, and redemption premium, if any, the authorized bonded indebtedness. The District issued the Prior Bonds pursuant to this authorization. Pursuant to Government Code Section 53362.7, the 2013 Bonds do not reduce the principal amount of Bonds that may be issued pursuant to the authorization. The Special Tax is levied according to the Special Tax Formula which is set forth in full in APPENDIX C. The Board of Supervisors, as the legislative body of the District, is required to establish tax rates, and levy and apportion the Special Tax against property within the District on an annual basis.

***Covenant to Levy.*** Pursuant to the Fiscal Agent Agreement, so long as any Bonds are outstanding, the County is required annually to levy the Special Tax on behalf of the District, subject to the maximum tax rates approved by the landowner voters, against all Taxable Property in the District and to make provision for the collection of the Special Tax in amounts that, together with other moneys available to the District, will be sufficient to pay the principal of and interest on the Bonds when due, to pay the annual expenses of administering the District, to cure delinquencies in the payment of debt service on the Bonds that have occurred or are expected to occur in the current fiscal year, and to replenish the Reserve Fund to an amount equal to the Reserve Requirement.

In the opinion of Bond Counsel, the Special Tax is excepted from the tax rate limitation of California Constitution Article XIII A pursuant to Section 4 thereof as a “special tax” authorized by two-thirds vote of the qualified electors as set forth in the Act. Consequently, the County, on behalf of the District, has the power and is obligated to cause the levy and collection of the Special Tax in an amount determined according to the Special Tax Formula.

The Act prohibits the Board of Supervisors, as the legislative body of the District, from adopting a resolution to initiate proceedings to reduce the rate of the Special Tax or terminate the levy of the Special Tax unless the Board of Supervisors, as the legislative body of the District, determines that the reduction or termination of the Special Tax “would not interfere with the timely retirement” of outstanding Bonds secured by the Special Tax.

***Manner of Collection.*** The Special Tax will be collected in the manner and at the same time as *ad valorem* property taxes are collected by the County and, except as described below under the “–Covenant to Foreclose,” will be subject to the same penalties and the same procedures, sale and lien priority in the case of delinquency as is provided for *ad valorem* property taxes. Taxes are levied by the County for each fiscal year on taxable real property that is situated in the County as of the preceding January 1. For collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien that is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed and collected on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on June 30 of the fiscal year; such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the date of redemption, together with the defaulted taxes, the delinquency penalty, costs, and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County.

Property taxes on the unsecured roll are due as of the lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured property taxes: (i) bringing a civil action against the taxpayer; (ii) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (iii) filing a certificate of delinquency

for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (iv) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

### **Special Tax is not a Personal Obligation**

Although the Special Tax constitutes a lien on Taxable Property, it does not constitute a personal indebtedness of the owners of such property. There is no assurance that the owners will be financially able to pay the Special Tax or that they will pay such tax even if financially able to do so. The risk of the property owners not paying the Special Tax is more fully described in "CERTAIN RISK FACTORS—Collection of the Special Tax."

### **Special Tax Formula**

The Special Tax Formula is used to allocate the amount of Special Tax that is needed to be collected each Fiscal Year from all non-exempt parcels within the District (the "Taxable Property"), based upon the land use class of the property (*i.e.* Residential Property, Undeveloped Property, or Other Property), subject to a maximum tax rate (the "Maximum Special Tax") that may be levied against each land use class. Currently, there is no property within the District classified as "Other."

The County collects the Special Tax on all Taxable Property at a level sufficient to pay the debt service and related administrative costs for the 2013 Bonds and any Parity Bonds for refunding in accordance with the Special Tax Formula. The Special Tax Formula is set forth in full in APPENDIX C—"RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." A summary of the Special Tax Formula is set forth below.

The Special Tax is first levied proportionately on each Parcel of Residential Property up to the Maximum Special Tax in an amount equal to \$2,100 per Taxable Parcel as needed to satisfy the Special Tax Requirement. "Residential Property" includes any parcels for which a building permit was issued prior to June 1 of the preceding Fiscal Year.

If the amount levied on Residential Property is less than the Special Tax Requirement then the Special Tax is levied proportionately on each Parcel of Undeveloped Property up to the Maximum Special Tax rate equal to \$3,360 per acres, as needed to satisfy the Special Tax Requirement.

If additional revenue is needed, the Special Tax is then levied proportionately on each parcel of Homeowners' Association Property and Public Property which originally had Planned Units, up to the Maximum Special Tax for Undeveloped Property in an amount up to \$3,360 per acre for such Fiscal Year determined pursuant to the Special Tax Formula.

Pursuant to Section 53340 of the Act, the Special Tax Formula exempts public property (*i.e.* property owned by or irrevocably offered for dedication to the federal government, the State or local governments or public agencies), except that the Special Tax on property not otherwise exempt that is acquired by a public entity shall be required to be permanently satisfied pursuant to Sections 53317.3 and 53317.5 of the Act. Parcels for which the owner has prepaid and satisfied the Special Tax are also exempt from further Special Tax.

The Act provides that the Special Tax levied against any parcel used for private residential purposes may not be increased as a consequence of delinquency or default by the owners of any other parcels by more than 10% above the amount that would have been levied had there been no such delinquencies or defaults.

## **Reserve Fund**

The 2013 Bonds are secured by a Reserve Fund in an amount equal to the "Reserve Requirement," which is held by the Fiscal Agent for the benefit of the Owners of the 2013 Bonds as a reserve for the payment of the principal of, and interest and any premium on the 2013 Bonds. The "Reserve Requirement" means, as of any date of calculation, an amount equal to 50% of the lesser of (i) Maximum Annual Debt Service, (ii) 125% of average Annual Debt Service on the 2013 Bonds, or (iii) 10% of the initial principal amount of the 2013 Bonds.

Upon the issuance and delivery of the 2013 Bonds, proceeds in the amount of \$ \_\_\_\_\_, which is equal to the Reserve Requirement, will be deposited into the Reserve Fund.

***Use of Reserve Fund.*** Except as otherwise provided in the Fiscal Agent Agreement, all amounts on deposit in the Reserve Fund will be used solely and withdrawn by the Fiscal Agent for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on the 2013 Bonds or in accordance with the Fiscal Agent Agreement for the purpose of redeeming 2013 Bonds from the Bond Fund.

If amounts on deposit in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Fund are inadequate to restore the Reserve Fund to the Reserve Requirement, then the County is required to include the amount necessary to fully restore the Reserve Fund to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

***Transfer of Excess of Reserve Requirement.*** Whenever, on the Business Day before any Interest Payment Date, or on any other date at the request of an Authorized Officer, the amount in the Reserve Fund exceeds the then Reserve Requirement, the Fiscal Agent is required to provide written notice to the Auditor of the amount of the excess and transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of interest on the 2013 Bonds on the next Interest Payment Date in accordance with the Fiscal Agent Agreement.

***Transfer When Balance Exceeds Outstanding 2013 Bonds.*** Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2013 Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent is required to transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment of all of the Outstanding 2013 Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2013 Bonds, the balance in the Reserve Fund is required to be transferred to the County to be used for any lawful purpose under the Act.

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund pursuant to this section until after (i) the calculation, pursuant to the Fiscal Agent Agreement, of any amounts due to the federal government following payment of the 2013 Bonds and withdrawal of any such amount for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Fiscal Agent.

***Transfer Upon Special Tax Prepayment.*** Whenever the Special Tax is prepaid and 2013 Bonds are to be redeemed with the proceeds of such prepayment pursuant to the Fiscal Agent Agreement, a proportionate amount in the Reserve Fund (determined by the Auditor on the basis of the principal of 2013 Bonds to be redeemed and the then original principal of the 2013 Bonds) is required to be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2013 Bonds pursuant to the Fiscal Agent Agreement.

## Deposit of Special Tax; Flow of Funds

Pursuant to the Fiscal Agent Agreement, a separate fund, the “Community Facilities District No. 2001-1 (Norris Canyon) 2013 Special Tax Refunding Bonds, Special Tax Fund” (the “Special Tax Fund”), is established and held by the Auditor for the benefit of the County and the Owners of the 2013 Bonds. The Special Tax Fund is subject to a lien in favor of the Owners of the Bonds and the County. The County is required to transfer or cause to be transferred to the Auditor, as soon as practicable following receipt, all Special Tax Revenues received by the County and any amounts required by Fiscal Agent Agreement to be deposited to the Special Tax Fund. In addition, the Auditor is required to deposit in the Special Tax Fund amounts to be transferred thereto from the Administrative Expense Fund.

Pursuant to the Fiscal Agent Agreement, the Auditor is required to withdraw and transfer from the Special Tax Fund from time to time, but no later than the Business day before each Interest Payment Date, the following amounts to the Fiscal Agent in the following order of priority:

**First:** for deposit by the Fiscal Agent in the **Bond Fund** an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Reserve Fund and the Special Tax Fund to the Bond Fund pursuant to the Fiscal Agent Agreement, such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the 2013 Bonds on the next Interest Payment Date

**Second:** for deposit by the Fiscal Agent in the **Reserve Fund** an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement; provided that no such transfers shall exceed the amount then available to be transferred from the Special Tax Fund.

## The Teeter Plan

In 1949, the California Legislature enacted an alternative method for the distribution of secured *ad valorem* property taxes to local agencies. This method, known as the Teeter Plan, is set forth in Sections 4701-4717 of Revenue and Taxation Code of the State of California. Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes are distributed to taxing agencies within the County included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The constitutionality of the Teeter Plan was upheld in *Corrie v. County of Contra Costa*, 110 Cal. App. 2d 210 (1952). The Teeter Plan was named after Desmond Teeter, the then Auditor-Controller of the County who originated this method of tax distribution. The County was the first Teeter Plan county in the State.

Pursuant to the Teeter Plan, the County apportions to the local agencies 100% of the amount of the taxes which are levied regardless of the amount collected from property owners. The County retains all penalties and interest which are collected with delinquent taxes. So long as the Special Tax levied on Taxable Property within the District is subject to the Teeter Plan, the District will receive 100% of the Special Tax which is levied in each Fiscal Year.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a *pro rata* adjustment for the amount of the change is made on the records of the treasurer of the County and the County Auditor. Such an adjustment would be an offset to future distributions of tax revenues to the District.

The County’s Teeter Plan remains in effect in perpetuity unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of a fiscal year, a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the County. The County may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the County if the Board of Supervisors, by action taken not later than

July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. No assurance can be given that the County will continue to include special taxes levied within community facilities districts in the Teeter Plan, and the County could decide to discontinue the inclusion of such special taxes in the Teeter Plan at any time, or to discontinue the Teeter Plan in its entirety.

### **Covenant to Foreclose**

**General.** The Fiscal Agent Agreement provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, are subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes.

Pursuant to Section 53356.1 of the Act, if any payment of the Special Tax for a parcel of Taxable Property is delinquent, the County may order the institution of a court action to foreclose the lien on the Taxable Property within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. The ability of the County to foreclose the lien of any delinquent unpaid Special Tax may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the "FDIC"). See "CERTAIN RISK FACTORS—Bankruptcy and Foreclosure Delays."

The County covenants in the Fiscal Agent Agreement for the benefit of the Owners of the 2013 Bonds that it will order, and cause to be commenced and thereafter diligently prosecute to judgment (unless such delinquency is brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due. The County is required to notify County Counsel of any such delinquency of which it is aware, and County Counsel is required to commence, or cause to be commenced, such proceedings.

Pursuant to the Fiscal Agent Agreement, the Auditor is required to review its public records in connection with the collection of the Special Tax not later than July 1 of each year to determine the amount of the Special Tax collected in the Fiscal Year ending the preceding June 30, and:

Individual Delinquencies. If the Auditor determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of the Special Tax in the aggregate amount of (i) \$7,500 or more if all of the property within the District is on the Teeter Plan; or (ii) \$3,000 or more if any property within the District is not on the Teeter Plan, then the Auditor is required to send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the County within 120 days of such determination and will be diligently pursued by the County to completion. Notwithstanding the foregoing, the Auditor may defer any such action if the amount then in the Reserve Fund is at least equal to the Reserve Requirement.

Aggregate Delinquencies. If the Auditor determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District, (including the total of individual delinquencies described above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the Auditor is required to notify or cause to be notified property owners who are then delinquent in the payment of the Special Tax (and demand immediate payment of the delinquency) within 45 days of such determination, and the County is required to commence foreclosure proceedings within 120 days of such determination against each parcel of land in the District with a Special Tax delinquency of (i) \$7,500 or more if all of the property within the District is on the Teeter Plan; or (ii) \$3,000 or more if any property within the District is not on the Teeter Plan, and the County is required to diligently pursue such proceedings to completion.

Subject to the Maximum Special Tax Rate, the Special Tax Formula is designed to generate from all Taxable Property within the District the current year's debt service, Administrative Expenses, and replenishment of the Reserve Fund to the Reserve Requirement, including an amount equal to the prior year's delinquencies. However, if foreclosure actions are necessary, and the Reserve Fund has been depleted, there could be a delay in payments to Bondowners pending prosecution of the foreclosure proceedings and receipt by the County of the proceeds of the foreclosure sale. See "CERTAIN RISK FACTORS--Bankruptcy."

**Priority of Lien.** The Act specifies that the Special Tax will have the same lien priority as *ad valorem* property taxes in the case of delinquency but does not further specify the priority relationship, if any, between the Special Tax and other special taxes and *ad valorem* taxes on a taxed parcel. See "THE DISTRICT--General" and "--Direct and Overlapping Debt," and "CERTAIN RISK FACTORS--Parity Taxes and Special Assessments."

If foreclosure proceedings were ever instituted, any holder of a mortgage or deed of trust on the affected property could, but would not be required to, advance the amount of the delinquent Special Tax payment to protect its security interest.

**Sufficiency of Foreclosure Sale Proceeds.** No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the County to purchase or otherwise acquire any lot or parcel of property sold if there is no other purchaser at such sale. Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding 2013 Bonds is obtained.

### **Limited Obligation**

Neither the full faith and credit nor the general taxing power of the County, the State, or any political subdivision thereof, other than the District, is pledged to the payment of the 2013 Bonds. **The 2013 Bonds are not general obligations of the County but are limited obligations of the County on behalf of the District payable solely from the proceeds of the Special Tax (and other sources described in the Fiscal Agent Agreement).** The 2013 Bonds are secured by a pledge of and lien upon the Special Tax and from amounts on deposit in the Interest Account, the Principal Account, and the Reserve Fund. Amounts on deposit in the Costs of Issuance Fund and the Rebate Account are not pledged to the payment of the 2013 Bonds. Moneys held in any of the accounts or special funds under the Fiscal Agent Agreement are required to be invested at the written direction of the District only in Permitted Investments, as defined in the Fiscal Agent Agreement.

### **Limited Issuance of Parity Bonds Only for Refunding**

Under the Fiscal Agent Agreement, the County may at any time issue one or more series of Bonds only for the purpose of refunding all or a portion of the 2013 Bonds or any Parity Bonds then Outstanding, without the consent of Bondowners, payable from the Special Tax and other amounts deposited in the Special Tax Fund (other than in the Administrative Expenses Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the 2013 Bonds and any other Parity Bonds.

Nothing in the Fiscal Agent Agreement prohibits the County from issuing bonds or otherwise incurring debt secured by a pledge of Special Tax Revenues subordinate to the pledge thereof securing the 2013 Bonds under the Fiscal Agent Agreement.

See also APPENDIX C--"SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT--ISSUANCE OF PARITY BONDS."



## **THE DISTRICT**

### **General; Location and Description**

The District, a gated, single-family community of approximately 1,189 acres known as “Norris Canyon Estates,” is located in an unincorporated portion of the County, near the western edge of the City of San Ramon. Norris Canyon Estates features homes on one-third to one-half acre sites, walking trails, tennis and basketball courts, playgrounds, community centers and approximately 800 acres of open space.

The general area surrounding the District is one of predominantly single-family detached homes bounded on the north by Crow Canyon Road, on the east by Interstate 680, on the south by Montevideo Drive and on the west by a low range of hills which separates the County from Alameda County to the west. While there is some attached housing along Bollinger Canyon Road, the vast majority of the homes in this area consist of single-family homes built during the late 1960’s and 1970’s. The property in the District is separated from the single-family neighborhoods by the Bishop Ranch Regional Open Space, an undeveloped park land of approximately 380 acres.

Freeway access to the District is provided at the intersection of I-680 and Crow Canyon Road and Bollinger Canyon Road. The Crow Canyon Road/I-680 intersection is heavily improved with retail and some office use. There is a neighborhood shopping center on the west side of I-680, south of Crow Canyon Road, and a regional shopping complex on the east side of I-680 surrounding Crow Canyon Road. Retail uses are located at the intersection of I-680 and Bollinger Canyon Road, and larger, regional shopping centers are available at the Stoneridge Mall, approximately eight miles south of the District in Pleasanton (located in Alameda County), and approximately eight miles north of the District in Walnut Creek (located in the County).

Approximately two miles to the northeast of the District, on the east side of Interstate 680 within the City of San Ramon, is the Bishop Ranch Business Park, a major regional employment center. Two of the county’s largest employers, Chevron and Pacific Bell, have large facilities within the Bishop Ranch Business Park.

### **Status of Development**

The District has been developed as a gated community comprised of 361 parcels planned for the construction of single-family homes. Production homes were planned for 289 lots with a minimum size of 12,000 square feet and custom homes were planned for the remaining significantly larger 72 lots, some of which are in excess of one acre. To date, 271 homes have been constructed, of which 255 have been sold to individual owners. The Developer and another entity, Norris Canyon Associates, continue to build and market homes on the remaining parcels intended for development.

Table 3 below summarizes the assessed property values, the Maximum Special Tax Revenue and the actual Special Tax levy for Fiscal Year 2012-13.

**Table 3**  
**County of Contra Costa**  
**Community Facilities District No. 2001-1 (Norris Canyon)**  
**Maximum Special Tax by Land Use Classification**  
**(As of the Fiscal Year 2012-13 Special Tax Levy)**

<u>Land Use Classification</u>	<u>Parcels</u>	<u>Total Assessed Value</u>	<u>Maximum Levy</u>	<u>Actual Levy Fiscal</u>	<u>Percentage of Actual Levy</u>
<b>Residential Property</b>					
Individually Owned <sup>(1)</sup>	255	\$327,385,983	\$529,200	\$495,825	92.99%
Developer Owned <sup>(2)</sup>					
Norris Associates LLC	8	3,583,808	16,800	15,740	2.95
Toll Land Entities <sup>(3)</sup>	8	7,219,032	16,800	15,740	2.95
<b>SUBTOTAL RESIDENTIAL PROPERTY</b>	<b>271</b>	<b>\$341,967,443</b>	<b>\$569,100</b>	<b>\$533,209</b>	<b>100.00</b>
<b>Undeveloped Property<sup>(4)</sup></b>					
Norris Associates LLC	34	14,122,398	92,254	0	0.00
Toll Land Entities <sup>(3)</sup>	48	17,128,466	92,254	0	0.00
<b>SUBTOTAL UNDEVELOPED PROPERTY</b>	<b><u>82</u></b>	<b><u>31,250,864</u></b>	<b><u>186,850</u></b>	<b><u>0</u></b>	<b><u>0.00</u></b>
<b>TOTAL TAXABLE PROPERTY<sup>(4)</sup></b>	<b>353</b>	<b>\$373,218,307</b>	<b>\$755,950</b>	<b>\$533,209</b>	<b>100.00%</b>
<b>Parcels Not Subject to Tax</b>					
Prepaid Parcels	<u>8</u>	<u>11,124,982</u>	<u>0</u>	<u>0</u>	<u>0.00</u>
<b>TOTAL PARCELS IN THE DISTRICT</b>	<b>361</b>	<b>\$384,343,289<sup>(3)</sup></b>	<b>\$755,950</b>	<b>\$533,209</b>	<b>100.00%</b>

(1) Includes three parcels owned by financial institutions.

(2) Includes 11 parcels with no improvement value as of the Fiscal Year 2012-13 tax roll, but for which building permits were issued as of June 1, 2012.

(3) The County tax rolls list three entities Toll Land XXII LP, Toll Land XXIII Ltd Partnership and Toll Land XXII LP that appear to be the same or related entities as the original developer, Toll Land XII Limited Partnership, the general partner of which was a wholly-owned subsidiary of Toll Holdings and in turn, Toll Brothers, Inc.

(4) Includes two parcels with completed model homes. As of November 6, 2012, seven additional building permits have been issued. These parcels will be taxed as Residential Property in Fiscal Year 2013-14.

Sources: Goodwin Consulting Group, Inc.

## Projected Debt Service Coverage

Table 4 shows projected annual scheduled debt service on the 2013 Bonds, without regard to any optional redemption and the estimated annual coverage from Maximum Special Tax Revenue based on the development status in the District as of Fiscal Year 2012-13.

**Table 4**  
**County of Contra Costa**  
**Community Facilities District No. 2001-1 (Norris Canyon)**  
**Projected Debt Service Coverage**

<u>Fiscal Year<sup>(1)</sup></u>	<u>2013 Bonds Total Debt Service<sup>(2)</sup></u>	<u>Maximum Special Tax Revenue<sup>(3)</sup></u>	<u>Coverage from Maximum Special Tax Revenue</u>	<u>Maximum Special Tax Revenue from Residential Property<sup>(4)</sup></u>	<u>Coverage from Maximum Special Tax Revenue from Residential Property</u>
2012-13	\$436,598	\$755,950	173%	\$529,200	121%
2013-14	435,825	755,950	173	529,200	121
2014-15	439,075	755,950	172	529,200	121
2015-16	437,025	755,950	173	529,200	121
2016-17	437,425	755,950	173	529,200	121
2017-18	437,425	755,950	173	529,200	121
2018-19	437,025	755,950	173	529,200	121
2019-20	436,225	755,950	173	529,200	121
2020-21	435,025	755,950	174	529,200	122
2021-22	438,425	755,950	172	529,200	121
2022-23	436,225	755,950	173	529,200	121
2023-24	435,736	755,950	173	529,200	121
2024-25	439,361	755,950	172	529,200	120
2025-26	437,461	755,950	173	529,200	121
2026-27	434,756	755,950	174	529,200	122
2027-28	436,688	755,950	173	529,200	121
2028-29	437,625	755,950	173	529,200	121
2029-30	438,000	755,950	173	529,200	121
2030-31	436,800	755,950	173	529,200	121

(1) Represents Debt Service payable for the Bond Year which ends September 1, following the Fiscal Year.

(2) Preliminary, subject to change. Assumes an "A" rating by Standard & Poor's, a division of the McGraw-Hill Companies, Inc. and market conditions as of November 16, 2012 plus 25 basis points.

(3) Reflects the Maximum Special Tax as of Fiscal Year 2012-13, assuming no further development or prepayments of the Special Tax.

(4) Reflects the Maximum Special Tax on individually owned Residential Property, including three parcels owned by financial institutions, as of Fiscal Year 2012-13, assuming no further development or prepayments of the Special Tax

Sources: Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus for the projected debt service on the 2013 Bonds and Goodwin Consulting Group, Inc. for the Maximum Special Tax revenue.

## Property Values in the District

The assessed value of Taxable Property in the District for Fiscal Year 2012-13 is \$373,218,307. This value is not necessarily representative of the actual market value of the property in the District, however, since Article XIII A of the California Constitution limits any increase in assessed value to no more than 2% per year unless property is sold or transferred. As a consequence, assessed values are typically less than actual market values unless the property has recently changed ownership. This value does not account for any reassessments based on changes in ownership or improvements to property occurring after January 1, 2012

Table 5 summarizes the assessed value for Taxable Property within the District by land use classification for Fiscal Years 2008-09 through 2012-13.

**Table 5**  
**County of Contra Costa**  
**Community Facilities District No. 2001-1 (Norris Canyon)**  
**Historical Assessed Value of Taxable Property**  
**Fiscal Years 2008-09 through 2012-13**

<u>Fiscal Year</u>	<u>Land Value</u>	<u>Improved Value</u>	<u>Total</u> <u>Assessed Value</u>
2007-08	\$226,957,875	\$202,115,066	\$429,072,941
2008-09	238,896,950	231,783,192	470,680,142
2009-10	214,707,495	207,398,292	422,105,787
2010-11	172,268,002	169,296,253	341,564,255
2011-12	180,142,061	198,281,855	378,423,916
2012-13	178,526,561	197,989,023	376,515,584

Source: Goodwin Consulting Group, Inc.

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Following the issuance of the 2013 Bonds the average assessed value of Residential Property is more than 58\* times the principal amount of the 2013 Bonds. See also “–Direct and Overlapping Debt.”

A summary of the assessed value of Residential Property-to-Special Tax lien categories, including the 2013 Bonds and excluding parcels that were not subject to the Fiscal Year 2012-13 Special Tax levy, is set forth in Table 6.

**Table 6**  
**County of Contra Costa**  
**Community Facilities District No. 2001-1 (Norris Canyon)**  
**Assessed Value of Residential Property<sup>(1)</sup>-to-Special Tax Lien Categories**  
**As of the Fiscal Year 2012-13 Special Tax Levy**

Value- to-Lien	Parcels <sup>(1)</sup>	Land Value	Improved Value	Total Assessed Value	Fiscal Year 2012-13 Actual Levy	Percentage of Levy	Share of Debt <sup>(2)</sup>
50:1 and Greater	243	\$134,012,496	\$185,820,170	\$319,832,666	\$478,117	89.67%	\$5,276,956
20:1 ≤ X < 50:1	22	10,586,900	9,364,553	19,951,453	43,286	8.12	477,749
10:1 ≤ X < 20:1	6	2,183,324	0	2,183,324	11,805	2.21	130,295
Less than 10:1	0	0	0	0	0	0.00	0
TOTAL	271	\$146,782,720	\$195,184,723	\$341,967,443	\$553,209	100.00%	\$5,885,000

Aggregate Assessed Value of Residential Property-to-Special Tax Lien Coverage: 58\*:1x

(1) Excludes 82 parcels classified as Taxable Property but not subject to the Fiscal Year 2012-13 levy.

(2) The amount of outstanding bonds excludes the principal payment due on September 1, 2013, and are allocated based on the actual Fiscal Year 2012-13 Special Tax levy.

\* Preliminary, subject to change.

Source: Goodwin Consulting Group, Inc.

\* Preliminary subject to change.

## Secured Property Tax Levies, Collections and Delinquencies

Historically, delinquencies for each property tax installment period are higher immediately following the respective installment payment due date. Late payments received after the respective due date reduce the outstanding delinquencies for each installment period, to a level of approximately 1% after 18 months.

Table 7 summarizes of payment history for taxes levied in the District for the past eight Fiscal Years.

**Table 7**  
**County of Contra Costa**  
**Community Facilities District No. 2001-1 (Norris Canyon)**  
**Historical Special Tax Delinquency**

Fiscal Year	As of Fiscal Year End				As of November 20, 2012 <sup>†</sup>	
	Total Special Tax Levy	Amount Delinquent	% Delinquent	Number of Parcels Delinquent	Number of Parcels Delinquent	Amount Delinquent
2004-05	\$536,230	\$10,500	1.96%	8	0	\$0
2005-06	542,605	2,100	0.39	2	0	0
2006-07	546,460	28,350	5.19	19	0	0
2007-08	537,639	45,150	8.40	28	0	0
2008-09	570,730	49,504	8.67	29	0	0
2009-10	447,601	20,107	4.49	15	0	0
2010-11	514,111	18,930	3.68	13	1	996
2011-12	504,193	25,017	4.96	17	3	4,811

<sup>†</sup> Property taxes are due in two installments and become delinquent on December 10 with respect to the installment due on November 1, and on April 10 with respect to the installment due on February 1. Delinquency information with respect to the November 1 installment is not yet available.

Source: Goodwin Consulting Group, Inc.

## Residential Mortgage Foreclosure Activity

Residential mortgage loan defaults and foreclosures between 2005 and 2010 increased significantly in connection with the collapse of the sub-prime sector of the residential mortgage market and broader economic pressures. In California, the greatest impacts to date are in regions of the Central Valley and the Inland Empire (both areas that are outside of the County), although the County has been impacted as well, particularly in the eastern portions of the County where the largest number of new mortgages were originated as growth in residential development occurred.

Such foreclosure activity has not significantly affected the District. Based on information provided by MDA DataQuick Information, an independent data collection service, for calendar-years 2008 through 2011, mortgage holders had sent a total of 23 notices of default with respect to properties located within the District, and 16 trustee deeds had been recorded (indicating that the property has been lost to foreclosure) during that period. In 2009, the number of trustee deeds recorded within the District peaked at nine.

## Public Utilities

The East Bay Municipal Water District supplies water to the District. The Contra Costa County Sanitary District, supplies sanitary sewer service, Pacific Gas and Electric Company supplies electricity and natural gas services, and Pacific Bell supplies telephone services to the District.

## **Direct and Overlapping Debt**

Numerous overlapping local agencies provide public services to properties in the District; many of these local agencies have outstanding debt. The direct and overlapping debt (the “Debt Report”) of the District as of December 1, 2012, is shown in Table 8, was prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. The County has not reviewed this report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long term obligations other than the 2013 Bonds ***are not payable*** from the Special Tax. In many cases, long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. Table 9 summarizes a typical tax bill for Taxable Property within the District in accordance with the Special Tax Formula for Fiscal Year 2012-13.

**Table 8**  
**County of Contra Costa**  
**Community Facilities District No. 2001-1 (Norris Canyon)**  
**Direct and Overlapping Debt Report**

*[Ordered]*

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Source: California Municipal Statistics, Inc.

To provide an indication of the tax burden on individual homeowners in the District a typical Fiscal Year 2012-13 tax bill for a parcel of Taxable Property with an assessed value closet to the median assessed value for Residential Property is summarized below.

**Table 9**  
**County of Contra Costa**  
**Community Facilities District No. 2001-1 (Norris Canyon)**  
**Typical Property Tax Bill for Fiscal Year 2012-13**

<u>Description</u>	<u>Amount</u>
1% Base property tax	\$13,015
General Obligation overrides	1,153
Norris Canyon Special Tax	1,968
Other special assessments	<u>1,619</u>
TOTAL TAX BILL	\$17,755
 Total Fiscal Year 2012-13 value	 \$1,301,500
 Effective total tax rate	 1.36%

Source: Contra Costa County Assessor Website.

### **CERTAIN RISK FACTORS**

*Investment in the 2013 Bonds involves risks which may not be appropriate for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the 2013 Bonds which are not rated by any municipal bond rating agency. This discussion does not purport to be comprehensive or definite, and the risk factors are not listed in any particular order of importance. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Tax when due. Such failure to pay the Special Tax could result in the inability of the District to make full and punctual payments of debt service on the 2013 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the Taxable Property in the District.*

#### **Insufficiency of Special Tax Revenues**

In order to pay debt service on the 2013 Bonds, it is necessary that the Special Tax levied against land within the District be paid in a timely manner. Should the Special Tax not be paid on time, the County has established the Reserve Fund to pay debt service on the 2013 Bonds to the extent other funds are not available therefor. Although the County may levy the Special Tax in an amount sufficient to replenish the Reserve Fund, the levy would be subject to the maximum amounts set forth in the Special Tax Formula. See the section of this Official Statement entitled "SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS—Special Tax Authorization."

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. The Bondowners will be dependent on the ability and/or willingness of the public entity to pay the Special Tax levied on such property when due. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have



not been tested. If for any reason property subject to the Special Tax becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, or another public agency, subject to the limitation of the maximum authorized rate of levy, the Special Tax will be reallocated to the remaining taxable properties within the District, but in no case more than the maximum authorized Special Tax for such properties. If a substantial portion of land within the District became exempt from the Special Tax because of public ownership or otherwise, the maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the 2013 Bonds when due and a default may occur with respect to the payment of such principal and interest.

The County covenants to institute foreclosure proceedings to sell any Taxable Property with any delinquent unpaid Special Tax in order to obtain funds to pay debt service on the 2013 Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of delinquent Special Tax to protect its security interest. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS–Covenant to Foreclose” for provisions which apply in the event foreclosure is required and which the County is required to follow in the event of delinquency in the payment of the Special Tax. In the event such superior court foreclosure or foreclosures are necessary, there could be a delay in payments to Bondowners pending prosecution of the foreclosure sale, if the County removes the District from the Reserve Fund and Teeter Plan were depleted.

No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold, or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax. Although the Act authorizes and the Fiscal Agent Agreement obligates the County to cause such an action to be commenced and diligently pursued to completion, the Act does not obligate the County to purchase or otherwise acquire any lot or parcel of property sold at the execution sale pursuant to the judgment in any such action if there is no other purchaser at such sale.

### **Bankruptcy and Foreclosure Delays**

The payment of the Special Tax and the ability of the County to foreclose the lien of a delinquent unpaid Special Tax, as discussed in the section herein entitled “SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS–Covenant to Foreclose,” may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to crowded local court calendars or legal delaying tactics.

The various legal opinions to be delivered concurrently with the delivery of the 2013 Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Regardless of the priority of the Special Tax securing the 2013 Bonds over non-governmental liens on a parcel, the exercise by the County of the foreclosure and sale remedy may be forestalled or delayed by bankruptcy, reorganization, insolvency, or other similar proceedings of the owner of, or anyone else who claims an interest in, a parcel. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings perhaps for an extended period. Delay in exercise of remedies or the institution of bankruptcy proceedings may cause Special Tax collections to be insufficient to pay debt service on the 2013 Bonds.

Further, should remedies be exercised under the bankruptcy law against a parcel, payment of the Special Tax may be subordinated to other claims in the bankruptcy proceedings. Thus, certain claims may have priority over a claim for unpaid any Special Tax, even though, in the absence of the bankruptcy proceedings, no such priority would exist.

On July 30, 1992 the United States Court of Appeals for the Ninth Circuit issued an opinion in a bankruptcy case entitled *In re Glasply Marine Industries* holding that *ad valorem* property taxes levied by a county in the State of Washington after the date that the property owner filed a petition for bankruptcy would not be entitled to priority over the claims of a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed subsequent to the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after the claims of all secured creditors. As a result, the secured creditor was able to foreclose on the subject property and retain all the proceeds from the sale thereof except the amount of the pre-petition taxes. Pursuant to this holding, post-petition taxes would be paid only as administrative expenses and only if a bankruptcy estate has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would be subject only to current *ad valorem* taxes (*i.e.*, not those accruing during the bankruptcy proceeding).

Glasply was controlling precedent on bankruptcy courts in the State of California for several years subsequent to the date of the Ninth Circuit’s holding. Pursuant to state law, the lien date for general *ad valorem* property taxes levied in the State of California is the January 1 preceding the Fiscal Year for which the taxes are levied. Under the Glasply holding, a bankruptcy petition filing would have prevented the lien for general *ad valorem* property taxes levied in Fiscal Years subsequent to the filing of a bankruptcy petition from attaching and becoming a lien so long as the property was a part of the estate in bankruptcy. However, the Glasply holding was for the most part subsequently rendered inoperative with respect to the composition of a lien for and the collection of *ad valorem* taxes by amendments to the federal Bankruptcy Code (Title 11 U.S.C.) which were part of the Bankruptcy Reform Act of 1994 (the “Bankruptcy Reform Act”) passed by Congress during the later part of 1994. The Bankruptcy Reform Act added a provision to the automatic stay section of the Bankruptcy Code which, pursuant to Section 362(b)(18) thereof, excepts from the Bankruptcy Code’s automatic stay provisions, “the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state, if such tax comes due after the filing of the petition” by a debtor in bankruptcy court. The effect of this provision is to continue the secured interest of *ad valorem* taxes on real property (*i.e.*, post-petition taxes) in effect during the period following the filing of a bankruptcy petition, including during the period bankruptcy proceedings are pending.

Without further clarification by the courts or Congress, the original rationale of the Glasply holding could, however, still result in the treatment of post-petition special taxes (and assessments) as “administrative expenses,” rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings. First, special taxes have a different lien date than the lien date for general *ad valorem* taxes in the State of California noted above. The lien of a Mello-Roos special tax attaches upon recordation of the notice of the special tax lien as provided for in Section 53328.3 of the Mello-Roos Act, as opposed to the January 1 lien date for general *ad valorem* taxes. Thus, in deciding whether the original Glasply ruling is applicable to a bankruptcy proceeding involving special taxes rather than general *ad valorem* property taxes, a court might consider the differences in the statutory provisions for creation of the applicable tax lien (general *ad valorem* or special tax) in determining whether there is a basis for post-petition special taxes to be entitled to a lien on the property during pending bankruptcy proceedings. If a court were to apply Glasply to eliminate the priority of the special tax lien as a secured claim against property with respect to post petition levy of the Special Tax made against property owners within the District who file for bankruptcy, collections of the Special Tax from such property owners could be reduced as the result of being treated as “administrative expenses” of the bankruptcy estate. Second, and most importantly, is the fact that the original holding in Glasply and the mitigation of that holding by the Bankruptcy Reform Act of 1994 both appear to be applicable only to general *ad valorem* taxes, and, therefore, the exemption from the automatic stay in Section 362(b)(18) discussed above may not be applicable to special taxes or assessments since they were not expressly mentioned or provided for in this section, nor defined to be included within the term “*ad valorem* taxes.”

Any prohibition of the enforcement of the Special Tax lien, or any such non-payment or delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2013 Bonds.

### **Hazardous Materials**

While government taxes, assessments and charges are a common claim against the value of a taxed parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Tax is a claim with regard to a hazardous substance. In general, the owners and operators of a Taxable Property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1989, sometimes referred to as “CERCLA” or “Superfund Act,” is a well known one of these laws, but California laws with regard to hazardous substances are also stringent and somewhat similar. Under many of these laws, the owner (or operator) is obligated to remediate hazardous substances on, under or about the property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance; however, an owner (or operator) who is not at fault may seek recovery of its damages from the actual wrongdoer. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, may be to reduce the marketability and value of the parcel, because the purchaser, upon becoming an owner, may become obligated to remedy the condition just as is the seller.

### **Geologic, Topographic and Climatic Conditions**

The market value of the land and improvements within the District can be adversely affected by factors which may affect infrastructure and other public improvements and private improvements of the parcels in the District and the continued usability of such private improvements. These factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements) and climatic conditions (such as floods, droughts and fire hazard).

There are several earthquake faults in the greater San Francisco Bay Area that could result in damage to the within the County and the District, buildings, roads, bridges, and property within the County in the event of an earthquake. Past experiences, including the 1989 Loma Prieta earthquake, measuring 7.1 on the Richter scale with an epicenter approximately 60 miles south of the County, have resulted in minimal damage to the infrastructure and property in the County. Earthquake faults that could affect the County include but may not be limited to the Hayward Fault in the western part of the County, and the Concord/Green Valley, Diablo and Calaveras Faults within the eastern portions of the County.

It should be assumed that an earthquake or one or more of such other conditions may occur and may cause damage to improvements on parcels in the District of varying seriousness, that such damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate usability or because other considerations may preclude such repair or replacement. Consequently, the occurrence of any of these conditions could result in a significant decrease in the market value of property in the District or in such property becoming unmarketable.

The District is within a geological maintenance district established by the County to provide funds to repair earth movement in the area of the District. The maintenance district was initially funded by means of a contribution by the initial developer of the District, and its funding is augmented by annual assessments on the parcels in the District. See “SPECIAL RISK FACTORS–Direct and Overlapping Indebtedness.”

**Flooding.** Flood zones are identified by the Federal Emergency Management Agency (“FEMA”). FEMA designates land located in a low- to moderate-risk flood zone (*i.e.* not in a floodplain) as being within a Non-Special Flood Hazard Area (a “NSFHA”). FEMA defines an NSFHA as an area

that has less than a 1% chance of flooding each year. The City of San Ramon is within a NSFHA where severe, concentrated rainfall could result in localized flooding and river overflows. The occurrence of flooding in the District could result in a reduction in the Special Tax and such a reduction could have an adverse effect on the ability of the County to make payments on the 2013 Bonds when due.

### **Federal Government Interests in Property**

The ability of the County to collect interest and penalties specified by State law and to foreclose the lien of a delinquent Special Tax payment, may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agencies has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to the Special Tax within the District but does not pay taxes and assessments levied on the parcel (including the Special Tax), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquency in the Special Tax, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Tax and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit, 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“FNMA”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The County has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Tax within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2013 Bonds are outstanding.

**FDIC.** In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the County to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Tax may be limited.

The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly

administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special tax imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The County is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of the Special Tax with respect to a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Tax to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the 2013 Bonds should assume that the County will be unable to foreclose on any parcel owned by the FDIC. Such an outcome would cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment of the 2013 Bonds. The County has not undertaken to determine whether the FDIC currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2013 Bonds are outstanding.

### **Non-Cash Payments of the Special Tax**

Under the Act, the Board of Supervisors may reserve to itself the right and authority to allow the owner of any taxable parcel to tender a 2013 Bond in full or partial payment of any installment of the Special Tax or the interest or penalties thereon. Any 2013 Bond so tendered is to be accepted at par and credit is to be given for any interest accrued thereon to the date of the tender. Thus, if 2013 Bonds can be purchased in the secondary market at a discount, it may be to the advantage of an owner of a taxable parcel to pay the Special Tax applicable thereto by tendering a 2013 Bond. Such a practice would decrease the cash flow available to the County to make payments with respect to 2013 Bonds then outstanding; and, unless the practice was limited by the County, the Special Tax paid in cash could be insufficient to pay the debt service due with respect to 2013 Bonds. In order to provide some protection against the potential adverse impact on cash flows which might be caused by the tender of 2013 Bonds in payment of the Special Tax, the Fiscal Agent Agreement includes a covenant pursuant to which the County will not authorize owners of Taxable Property to satisfy Special Tax obligations by the tender of 2013 Bonds unless the County shall have first obtained a report of an Independent Financial Consultant certifying that doing so would not result in the County having insufficient Special Tax to pay the principal of and interest on all Outstanding 2013 Bonds when due.

### **Payment of the Special Tax is not a Personal Obligation of the Owners**

An owner of a property is not personally obligated to pay the Special Tax. The Special Tax is an obligation which is secured *only* by a lien against the property. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the payment of the Special Tax, the County has no recourse against the owner.

## **Limitations on Remedies**

Remedies available to the owners of the 2013 Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2013 Bonds or to preserve the tax-exempt status of the 2013 Bonds.

Bond Counsel has limited its opinion as to the enforceability of the 2013 Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the 2013 Bonds.

## **Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS" interest on the 2013 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2013 Bonds were issued, as a result of future acts or omissions of the County in violation of its covenants in the Fiscal Agent Agreement. Should such an event of taxability occur, the 2013 Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Fiscal Agent Agreement.

## **Proceedings to Reduce or Terminate the Special Tax**

An initiative measure commonly referred to as 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 XIIC and Article XIID 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." Provisions of the Initiative have been and will continue to be interpreted by the courts. The Initiative could potentially impact the collection of the Special Tax within the District as described below.

Among other things, Section 3 of Article XIII 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 Act provides for a procedure, which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, the Governor of the State signed a bill into law enacting Government Code Section 5854, which states that:

Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Tax if such reduction would interfere with the timely retirement of the 2013 Bonds.

It may be possible, however, for voters or the County to reduce the Special Tax in a manner which does not interfere with the timely repayment of the 2013 Bonds, but which does reduce the

maximum amount of the Special Tax that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of the Special Tax for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Special Tax in amounts greater than the amount necessary for the timely retirement of the 2013 Bonds. Therefore, the County can give no assurance with respect to the levy of the Special Tax for Administrative Expenses. The County has covenanted in the Fiscal Agent Agreement that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates to less than an amount, for any Fiscal Year, equal to 110% of aggregate of the debt service due on the 2013 Bonds in such Fiscal Year plus the amount reasonably necessary to pay the annual Administrative Expenses for such Fiscal Year. No assurance can be given as to the enforceability of the foregoing covenant.

The interpretation and application of the Initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts.

### **Secondary Markets and Prices**

The Underwriter is not obligated to repurchase the 2013 Bonds and there can be no guarantee that there will be a secondary market for the 2013 Bonds or, if a secondary market exists, that any 2013 Bonds can be sold for any particular price. Prices of municipal securities 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 2013 Bonds will not be affected by the introduction or enactment of any future legislation, or changes in interpretation of existing law.

### **No Acceleration Provision**

The 2013 Bonds do not contain a provision allowing for the acceleration of the unpaid principal of the 2013 Bonds in the event of a payment default or other default under the terms of the 2013 Bonds or the Fiscal Agent Agreement.

## **THE COUNTY**

The County is located northeast of the San Francisco Bay and is the ninth most populous county in California. The County seat is in the City of Martinez. As of January 1, 2012, the estimated population within the County was 1,065,117, representing an increase of approximately 0.8% compared to the estimated population as of January 1, 2011. Major industries in the County include petroleum refining and telecommunications.

Under the Act, the Board of Supervisors of the County is authorized to establish and act as the legislative body for community facilities districts. **However, the County has no liability in connection with the District or the 2013 Bonds, other than with respect to the pledge of the Special Tax and funds set forth in the Fiscal Agent Agreement.** See “SECURITY AND SOURCES OF PAYMENT FOR THE 2013 BONDS—Limited Liability.” See also APPENDIX D—“GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION” hereto for general information regarding the County.

## **CONTINUING DISCLOSURE**

The County has covenanted for the benefit of the beneficial owners of the 2013 Bonds to provide certain financial information and operating data relating to the County and the District by no later than eight months after the end of each Fiscal Year (which fiscal year currently ends June 30), commencing with the report due for the Fiscal Year ended June 30, 2013 (each, an “Annual Report”), and to provide notices of the occurrence of certain specified events. The Annual Report and notices of specified events will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access site. The specific nature of the information to be contained in the Annual Report or the notices of specified events is set forth in APPENDIX E–“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (“Rule 15c2-12”).

[Description of County compliance, including JPA and former RDA, in the last five years with prior undertakings under Rule 15c2-12. *[TO COME]*]

In order to provide certain continuing disclosure with respect to the 2013 Bonds in accordance with the Rule 15c2-12, the County entered into a Continuing Disclosure Certificate for the benefit of the Owners of the 2013 Bonds and has appointed Digital Assurance Certification, L.L.C. (“DAC”) as Dissemination Agent. The form of Continuing Disclosure Certificate is set forth in APPENDIX E–“FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

## **ABSENCE OF MATERIAL LITIGATION**

At the time of delivery of and payment for the 2013 Bonds the County will deliver a certificate to the effect that there is no known action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency against the County or the District affecting the existence of the County or the District or seeking to restrain or to enjoin the issuance, sale or delivery of the 2013 Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Tax to pay the principal of and interest on the 2013 Bonds, or in any way contesting or affecting the validity or enforceability of the 2013 Bonds, the Fiscal Agent Agreement, the Special Tax Formula or any other applicable agreements or any action of the County contemplated by any of said documents.

## **TAX MATTERS**

Federal tax law contains a number of requirements and restrictions which apply to the 2013 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The County has covenanted in the Fiscal Agent Agreement to comply with all requirements that must be satisfied in order for the interest on the 2013 Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the 2013 Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the 2013 Bonds.

Subject to the County’s compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the 2013 Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the 2013 Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.



In rendering its opinion, Bond Counsel will rely upon certifications of the County with respect to certain material facts within the County's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the 2013 Bonds.

Ownership of the 2013 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the 2013 Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the 2013 Bonds is the price at which a substantial amount of such maturity of the 2013 Bonds is first sold to the public. The Issue Price of a maturity of the 2013 Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page of this Official Statement.

If the Issue Price of a maturity of the 2013 Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the 2013 Bonds (the "OID 2013 Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID 2013 Bond in the initial public offering at the Issue Price for such maturity and who holds such OID 2013 Bond to its stated maturity, subject to the condition that the County comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID 2013 Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID 2013 Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID 2013 Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID 2013 Bonds.

Owners of 2013 Bonds who dispose of 2013 Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase 2013 Bonds in the initial public offering, but at a price different from the Issue Price or purchase 2013 Bonds subsequent to the initial public offering should consult their own tax advisors.

If a 2013 Bond is purchased at any time for a price that is less than the 2013 Bond's stated redemption price at maturity or, in the case of an OID 2013 Bond, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the "Revised Issue Price"), the purchaser will be treated as having purchased a 2013

Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a 2013 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID 2013 Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such 2013 Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2013 Bonds.

An investor may purchase a 2013 Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the 2013 Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the 2013 Bond. Investors who purchase a 2013 Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the 2013 Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the 2013 Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the 2013 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the 2013 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the 2013 Bonds. If an audit is commenced, under current procedures the Service may treat the County as a taxpayer and the 2013 Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the 2013 Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the 2013 Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any 2013 Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2013 Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the 2013 Bonds is exempt from California personal income taxes.

Ownership of the 2013 Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the 2013 Bonds. Prospective purchasers of the 2013 Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon issuance of the 2013 Bonds is set forth in APPENDIX B–“PROPOSED FORM OF OPINION OF BOND COUNSEL.”

### **CERTAIN LEGAL MATTERS**

Certain legal matters incident to the authorization and issuance of the 2013 Bonds are subject to the approving opinion of Quint & Thimmig LLP, Bond Counsel. Certain legal matters will be passed upon for the County and the District by the County Counsel and Lofton & Jennings, San Francisco, California, Disclosure Counsel, and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, Underwriter’s Counsel. Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon the sale and issuance of the 2013 Bonds. The various legal opinions to be delivered concurrently with the delivery of the 2013 Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

### **FINANCIAL ADVISOR**

The County has retained Fieldman, Rolapp & Associates, Irvine, California, as Financial Advisor, in connection with the authorization and delivery of the 2013 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent advisory service and is not engaged in underwriting or trading of securities. The Financial Advisor will receive compensation that is contingent upon the sale, issuance and delivery of the 2013 Bonds.

### **RATING**

Standard & Poor’s, a division of the McGraw-Hill Companies (“S&P”) has assigned a rating of “\_\_\_” to the 2013 Bonds.

Certain information was supplied by the County to S&P to be considered in evaluating the 2013 Bonds. The rating expresses only the views of S&P and is not a recommendation to buy, sell or hold the 2013 Bonds. An explanation of the significance of the rating may be obtained from Standard & Poor’s, a division of the McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041.

There is no assurance that the rating will continue for any given period of time or that it will not be reduced or withdrawn entirely by S&P if in its judgment, circumstances so warrant. The County and the Trustee undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2013 Bonds.

### **UNDERWRITING**

Pursuant to the terms of a Bond Purchase Agreement with respect to the 2013 Bonds, dated \_\_\_\_\_, 2013 (the “Purchase Agreement”) by and between the County and Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus (the “Underwriter”), the 2013 Bonds will be purchased by the Underwriter for a price of \$\_\_\_\_\_, which is equal to the initial principal amount of the 2013 Bonds, less an original issue discount of \$\_\_\_\_\_ and less an Underwriter’s discount of \$\_\_\_\_\_. The Underwriter will purchase all of the 2013 Bonds, if any are purchased.

The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement.

The Underwriter may change the initial public offering prices and yields set forth on the inside cover page of this Official Statement. The 2013 Bonds may be offered and sold to dealers, including the Underwriter and dealers acquiring 2013 Bonds for their own account or an account managed by them, at prices lower than the public offering price.

### **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the County and the purchasers of the 2013 Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the County since the date hereof.

The execution and delivery of this Official Statement by the County has been duly authorized by the Board of Supervisors.

COUNTY OF CONTRA COSTA, for and on  
behalf of the COUNTY OF CONTRA COSTA  
COMMUNITY FACILITIES DISTRICT NO.  
2001-1 (NORRIS CANYON)

By: \_\_\_\_\_  
Catherine Kutsuris  
Director, Department of Conservation and  
Development

**APPENDIX A**  
**SUMMARY OF THE FISCAL AGENT AGREEMENT**

**APPENDIX B**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

## **APPENDIX C**

### **RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

A Special Tax applicable to each Assessor's Parcel in Community Facilities District No. 2001-1 (herein "CFD No. 2001-1") shall be levied and collected according to the tax liability determined by the Board of Supervisors of the County of Contra Costa or its designee, as described below. All of the property in CFD No. 2001-1, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

#### **A. DEFINITIONS**

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, or other recorded County parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees and expenses of its counsel) employed in connection with any 2013 Bonds; any costs associated with the marketing or remarketing of the 2013 Bonds; the expenses of the Administrator and the County in carrying out their respective duties under any fiscal agent agreement, indenture or resolution with respect to the 2013 Bonds or CFD No. 2001-1, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of legal counsel, charges levied by the County or any division or office thereof in connection with the levy and collection of Special Taxes, audits, continuing disclosure or other amounts needed to pay arbitrage rebate to the federal government with respect to 2013 Bonds; costs associated with complying with continuing disclosure requirements; costs associated with responding to public inquiries regarding Special Tax levies and appeals; attorneys' fees and other costs associated with commencement or pursuit of foreclosure for delinquent Special Taxes; costs associated with overhead expense allocations to CFD No. 2001-1; and all other costs and expenses of the County, the Administrator, and any fiscal agent, escrow agent or trustee related to the administration of CFD No. 2001-1.

"Administrator" shall mean the person or firm designated by the Board to administer the Special Tax according to this Rate and Method of Apportionment of Special Tax.

"Annual Interest Component" means the total amount of interest on 2013 Bonds in the calendar year commencing in such Fiscal Year.

"Assessor's Parcel" or "Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor of the County of Contra Costa designating parcels by Assessor's Parcel Number.

"2013 Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2001-1 under the Act.

“Board” means the Board of Supervisors of the County of Contra Costa.

“Capitalized Interest” means funds in any capitalized interest account available to pay debt service on 2013 Bonds issued by CFD No. 2001-1.

“Capitalized Interest Requirement” means the least of: i) the Annual Interest Component, ii) the difference between the Special Tax Requirement and the amount determined pursuant to Step 1 of Section E hereof, or iii) the amount of Capitalized Interest available.

“County” means the County of Contra Costa.

“Developed Property” means Taxable Property for which a building permit for construction was issued prior to June 1 of the preceding Fiscal Year.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“Homeowners’ Association Property” means any property within the boundaries of CFD No. 2001-1 which is owned by a homeowners’ or property owners’ association.

“Land Use Class” means one of the defined land use categories for which a specific Maximum Special Tax is identified in Table 1 in Section C below.

“Maximum Special Tax” means the maximum amount of Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year.

“Other Property” means Developed Property which is not Residential Property, Public Property, or Homeowners’ Association Property.

“Planned Units” means the number of individual residential units that were expected to be constructed on property within CFD No. 2001-1 as shown in Attachment 1.

“Proportionately” means, for Residential Property and Other Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Residential Property and Other Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax to the Maximum Special Tax is equal for all Assessor’s Parcels of Undeveloped Property. For Homeowners’ Association Property and nonexempt Public Property, “Proportionately” means that the ratio of the actual Special Tax to the Maximum Special Tax is equal for all Assessor’s Parcels of Homeowners’ Association Property and Public Property.

“Public Property” means any property within the boundaries of CFD No. 2001-1 that is owned by or irrevocably offered for dedication to the federal government, State of California or other local governments or public agencies.

“Residential Property” means, in any Fiscal Year, any Parcel of Developed Property for the construction of a residential structure which is not Homeowners’ Association Property or Public Property.

“Special Tax” means a special tax levied in any Fiscal Year that will be used to pay the Special Tax Requirement, as defined below.

“Special Tax Requirement” means the total amount needed each Fiscal Year to (i) pay principal and interest on 2013 Bonds in the calendar year commencing in such Fiscal Year, (ii) create or replenish reserve funds, (iii) cure any delinquencies in the payment of principal or interest on indebtedness of CFD No. 2001-1 which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of



Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, (iv) pay Administrative Expenses.

“Taxable Property” means all of the Assessor’s Parcels within the boundary of CFD No. 2001-1 which are not exempt from the Special Tax pursuant to law or Section G below.

“Tentative Map” means the tentative map for Norris Canyon Estates approved by the Board in August 1997.

“Undeveloped Property” means any Parcel of Taxable Property within CFD No. 2001-1 for which a building permit has not been issued prior to June 1 of the preceding Fiscal Year.

## **B. ASSIGNMENT TO LAND USE CLASS**

Each Fiscal Year, the Administrator shall categorize each parcel of property in CFD No. 2001-1 as Developed Property or Undeveloped Property, and Parcels of Developed Property shall be further identified as either Residential Property, Other Property, Homeowners’ Association Property or Public Property. For each Parcel of Other Property within the CFD, the Administrator shall determine how many Planned Units had been expected on the Parcel in order to assign the Maximum Special Tax pursuant to Section C below.

## **C. MAXIMUM SPECIAL TAX**

Pursuant to Section 53321 (d) of the Act, a Maximum Special Tax must be established as a specific dollar amount before a Parcel is first subject to the tax when in private residential use. The following maximum rates shall apply to all Parcels of Taxable Property within CFD No. 2001-1 for each Fiscal Year in which the Special Tax is collected:

<b><u>TABLE 1</u></b> <b>MAXIMUM SPECIAL TAX</b> <b>(Fiscal Year 2001-02)</b>		
<b>Land Use Class</b>	<b>Description</b>	<b>Maximum Special Tax (Fiscal Year 2001-02)</b>
1	Residential Property	\$2,100 per Parcel
2	Other Property	\$2,100 per Planned Unit of the Parcel before it became Other Property
3	Undeveloped Property	\$3,360 per Acre

Pursuant to Section 53321 (d) of the Act, the Special Tax levied against a Parcel used for private residential purposes shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

**D. MANDATORY PREPAYMENT OF SPECIAL TAX RESULTING FROM TENTATIVE MAP REVISIONS**

It is possible that a revision in the Tentative Map could result in less Special Tax revenue being available from the CFD. To preclude this result, after CFD No. 2001-1 has been formed, the County shall apply the following steps for every proposed Tentative Map revision:

- Step 1: The County or its designee shall calculate the Maximum Special Tax revenues that could be collected from the property affected by the proposed Tentative Map revision (the “Affected Property”) prior to the revision being approved;
- Step 2: The County or its designee shall calculate the Maximum Special Tax revenues that could be collected from the Affected Property if the Tentative Map revision is approved;
- Step 3: If the amount determined in Step 2 is higher than that calculated in Step 1, the Tentative Map revision may be approved without prepayment of the Special Tax. If the revenues calculated in Step 2 are less than those calculated in Step 1, the County may not approve the Tentative Map revision unless the landowner requesting the Tentative Map revision prepays a portion of the Special Tax obligation that would have applied to the Affected Property prior to approval of the revision in an amount sufficient to retire a portion of the 2013 Bonds and maintain 110% coverage on the 2013 Bonds’ debt service with the reduced Maximum Special Tax revenues that will result after the Tentative Map revision is approved. The required prepayment shall be calculated using the formula set forth in Section H below. Property owners wishing to prepay the Special Tax as a result of a Tentative Map revision cannot be delinquent on past Special Taxes on the Affected Property.

**E. METHOD OF LEVY AND COLLECTION OF THE SPECIAL TAX**

Commencing with Fiscal Year 2001-02 and for each following Fiscal Year, the Administrator shall determine the Special Tax Requirement for that Fiscal Year. The Special Tax shall then be levied as follows:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Residential Property and Other Property up to 100% of the Maximum Special Tax up to the Special Tax Requirement for each Land Use Class for such Fiscal Year as determined pursuant to Section C. The Maximum Special Tax for a Parcel of Other Property shall be the total Maximum Special Taxes for the Planned Units that the Other Property replaced, as determined by the Administrator;

Step 2: Determine the Capitalized Interest Requirement, if any, and add it to the amount levied under Step 1;

Step 3: If the total of the Capitalized Interest Requirement and the amount levied under Step 1 is less than the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Undeveloped Property within the CFD, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C;

Step 4: If additional monies are needed after applying the first three steps, the Special Tax shall be levied Proportionately on each Parcel of Homeowners’ Association Property and Public Property which

originally had Planned Units, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C.

#### **F. MANNER OF COLLECTION**

The Special Taxes for CFD No. 2001-1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section H below (and may be required in the case of Tentative Map revisions) and provided further that the County may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on 2013 Bonds have been repaid and authorized facilities to be constructed directly from Special Taxes proceeds have been completed. However, in no event shall a Special Taxes be levied after Fiscal Year 2039-2040.

#### **G. EXEMPTIONS**

Notwithstanding any other provision of this Rate and Method of Apportionment of Special Tax, no Special Taxes shall be levied on Public Property, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act.

#### **H. PREPAYMENT OF SPECIAL TAX**

The following definitions apply to this Section H:

“Future Facilities Costs” means the Public Facilities Requirements (as defined below) minus public facility costs funded by Previously Issued Bonds, interest earnings on the construction fund actually earned prior to the date of prepayment, Special Taxes, developer equity, and/or any other source of funding.

“Outstanding Bonds” means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor’s Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the 2013 Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total 2013 Bond principal that remains outstanding, and the difference shall be used as the amount of “Outstanding Bonds” for purposes of this prepayment formula.

“Previously Issued Bonds” means all 2013 Bonds that have been issued by CFD No. 2001-1 prior to the date of prepayment.

“Public Facilities Requirements” means either \$5,900,000 in 2001 dollars, which shall increase by three percent (3%) on January 1, 2002, and on each January 1 thereafter, or such lower number as shall be determined by the County as sufficient to fund public facilities to be provided by CFD No. 2001-1 under the authorized bonding program for CFD No. 2001-1.

The Special Tax obligation applicable to an Assessor’s Parcel in CFD No. 2001-1 may be prepaid and the obligation of the Assessor’s Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay

the Special Tax obligation shall provide the County with written notice of intent to prepay. Within 30 days of receipt of such written notice, the County shall notify such owner of the prepayment amount of such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any interest payment date for 2013 Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount shall be calculated as follows (capitalized terms as defined below):

	Bond Redemption Amount
plus	Future Facilities Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fees and Expenses
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1: Compute the total Maximum Special Tax that could be collected from the Assessor's Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the County.
- Step 2: Divide the Maximum Special Tax computed pursuant to Step 1 for such Assessor's Parcel by the lesser of (i) the Maximum Special Tax revenues that could be collected in that Fiscal Year from property in the entire CFD, or (ii) the Maximum Special Tax revenues that could be generated at buildout of property in the CFD based on anticipated land uses at the time the prepayment is calculated.
- Step 3: Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid. (the "Bond Redemption Amount").
- Step 4: Compute the current Future Facilities Costs.
- Step 5: Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
- Step 6: Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
- Step 7: Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first 2013 Bond interest payment date after which the prepayment has been received until the earliest redemption date for the Outstanding Bonds. However, if 2013 Bonds are callable at the first interest payment date after the prepayment has been received, Steps 7, 8 and 9 of this prepayment formula will not apply.
- Step 8: Compute the amount of interest the County reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first 2013 Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.

- Step 9: Take the amount computed pursuant to Step 7 and subtract the amount computed pursuant to Step 8 (the “Defeasance”).
- Step 10: The administrative fees and expenses of CFD No. 2001-1 are as calculated by the County and include the costs of computation of the prepayment, the costs of redeeming 2013 Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the “Administrative Fees and Expenses”).
- Step 11: A reserve fund credit shall be calculated as the reduction, if any, in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “Reserve Fund Credit”).
- Step 12: The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the “Prepayment Amount”).

**Attachment 1**

**Tentative Map for Norris Canyon Estates  
on File with the County**

## APPENDIX D

### GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

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## APPENDIX D

### GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

#### General

The County of Contra Costa, California (the “County”) was incorporated in 1850 as one of the original 27 counties of the State of California (the “State”), with the City of Martinez as the County seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County covers about 733 square miles and extends from the northeastern shore of the San Francisco Bay easterly about 50 miles to San Joaquin County. The County is bordered on the south and west by Alameda County and on the north by the Suisun and San Pablo Bays. The western and northern shorelines are highly industrialized, while the interior sections are suburban/residential, commercial and light industrial. The County contains 19 incorporated cities, including Richmond in the west, Antioch in the northeast, and Concord in the middle.

A large part of the County is served by the San Francisco Bay Area Rapid Transit District (“BART”), which has enabled the expansion of both residential and commercial development throughout much of the County. In addition, economic development along the Interstate 680 corridor in the County has been substantial and has accounted for significant job creation in the Cities of Concord, Walnut Creek and San Ramon.

#### County Government

The County has a general law form of government. A five-member Board of Supervisors, each member of which is elected to a four-year term, serves as the County’s legislative body. Also elected are the County Assessor, Auditor-Controller (the “County Auditor-Controller”), Clerk-Recorder, District Attorney-Public Administrator, Sheriff-Coroner and Treasurer-Tax Collector (the “County Treasurer”). A County Administrator appointed by the Board of Supervisors runs the day-to-day business of the County. The current County Administrator is David J. Twa.

#### CONTRA COSTA COUNTY ELECTED OFFICIALS

<u>Name</u>	<u>Office</u>	<u>Expiration of Current Term</u>
John M. Gioia	Supervisor, District 1	January 4, 2015
Candace Andersen	Supervisor, District 2	January 7, 2013
Mary N. Piepho	Supervisor, District 3	January 7, 2013
Karen Mitchoff	Supervisor, District 4	January 4, 2015
Federal D. Glover	Supervisor, District 5	January 7, 2013
Robert R. Campbell	Auditor-Controller	January 4, 2015
Russell V. Watts	Treasurer-Tax Collector	January 4, 2015
Gus S. Kramer	Assessor	January 4, 2015
Stephen L. Weir	Clerk Recorder	January 4, 2015
Mark A. Peterson	District Attorney-Public Administrator	January 4, 2015
David Livingston	Sheriff-Coroner	January 4, 2015



Brief resumes of key County officials are set forth below.

**David J. Twa, County Administrator.** Mr. Twa was appointed County Administrator by the Board of Supervisors in June 2008 and is responsible for the overall administration of County government. Prior to his appointment, he served as the County Manager for Ramsey County, Minnesota from 2003-2008. Prior to that, Mr. Twa served as the County Administrator in three counties in Minnesota for over 20 years and served as an Elected County Attorney, Interim Property Records and Revenue Director, Executive Director of Housing and Redevelopment Authority, and Interim Director of Public Health and Long-term Care. Mr. Twa received his Juris Doctorate from the University of Minnesota, as well as a degree in accounting, and is also a Certified Public Accountant. Under Mr. Twa's leadership Ramsey County, Minnesota maintained a triple-A credit rating, one of few counties in the country to achieve this distinguished rating. He also oversaw the efforts of Ramsey County to institute a Strategic Planning Program, address its health care cost liability, start a two year budget process, work with community partners to improve public services in the Minneapolis-St. Paul Region, and institute significant redevelopment projects. Mr. Twa was named the County Manager of the Year (2007) by the Minnesota Association of County Administrators, for his innovation in public service.

**Robert R. Campbell, Auditor-Controller.** Mr. Campbell was elected Auditor-Controller of the County by the voters on June 8, 2010 and was sworn into office on January 3, 2011. Mr. Campbell has worked for the County for almost 25 years. He received a Bachelor of Science degree in business administration from the California State University, Hayward. Mr. Campbell is an active member of the State Association of County Auditors, a member of the Government Finance Officer's Association and the Association of Government Accountants. Mr. Campbell is a former president of the State Association of County Auditors Property Tax and Payroll Managers' committees, and served as a member on various State Association's Property Tax Guideline Committees.

**Russell V. Watts, Treasurer-Tax Collector.** Mr. Watts was elected Treasurer-Tax Collector by the voters of the County on June 8, 2010 and was sworn into office on January 3, 2011. Mr. Watts has been serving as Chief Deputy Treasurer-Tax Collector since 2002 where he has been responsible for the administration of the department. He has 16 years of county treasury and tax collection experience with administrative responsibilities in such areas as revenue collections, cash management, and investments. Mr. Watts holds a Bachelor's degree from Brigham Young University, Provo, UT, and a Masters degree in Public Administration from the University of North Carolina, Chapel Hill, NC. He is an active member of the California Association of County Treasurers and Tax Collectors (CACTTC) and the Government Finance Officers Association of America. Mr. Watts serves on various State-wide CACTTC committees. Mr. Watts will also serve on the Contra Costa County Employees' Retirement Association Board of Trustees. **[TO BE REVIEWED]**

## Population

The County is the ninth most populous county in California, with its population reaching approximately 1,065,117 as of January 1, 2012. This represents an increase of approximately 0.4% compared to the County's population as of January 1, 2008. The availability of rapid transit, close proximity to major employment hubs in San Francisco and Oakland, and relatively affordable existing and new housing have combined to attract more residents to the County over the past decade.

Population growth in the County has been strongest in unincorporated areas as well as in the cities of Antioch, Brentwood, Hercules, Oakley, Pittsburg and San Ramon.

The following is a summary of the County's population levels since 2012.

**Table D-1**  
**COUNTY OF CONTRA COSTA**  
**POPULATION<sup>†</sup>**  
**(AS OF JANUARY 1)**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Antioch	100,957	101,041	102,330	103,055	103,833
Brentwood	51,908	51,950	52,492	52,030	52,575
Clayton	10,864	10,873	10,492	10,942	10,996
Concord	124,599	124,703	125,864	122,599	123,206
Danville	43,043	43,080	43,574	42,217	42,450
El Cerrito	23,440	23,461	23,666	23,649	23,774
Hercules	24,480	24,499	24,693	24,153	24,272
Lafayette	24,087	24,106	24,342	24,024	24,159
Martinez	36,348	36,378	36,663	36,055	36,225
Moraga	16,204	16,216	16,332	16,076	16,152
Oakley	34,468	34,500	35,846	35,998	36,532
Orinda	17,669	17,687	17,866	17,714	17,819
Pinole	19,383	19,400	19,555	18,461	18,560
Pittsburg	63,771	63,827	64,967	63,735	64,706
Pleasant Hill	33,547	33,576	33,844	33,280	33,440
Richmond	104,513	104,602	105,630	104,382	104,887
San Pablo	31,808	31,834	32,131	28,931	29,105
San Ramon	63,176	63,230	64,860	73,111	74,378
Walnut Creek	65,860	65,915	66,584	64,710	65,233
SUBTOTAL	890,125	890,878	901,731	895,122	902,302
Balance of County	170,310	170,447	171,054	161,184	162,815
TOTAL	1,060,435	1,061,325	1,073,055	1,056,306	1,065,117
California	38,292,687	38,255,508	38,648,090	37,427,946	37,678,563

<sup>†</sup> Columns may not total due to independent rounding.

Source: State Department of Finance, Table 2: E-4 Population Estimates for Cities, Counties and State, 2008-2009 with 2000 DRU Benchmark and E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change – January 1, 2009 and 2012.

## Industry and Employment

As shown below, the County's civilian labor force was 524,100 in 2011. With average 2011 unemployment rates of 10.4% and 11.7% for the County and the State, respectively, the County has achieved a lower unemployment rate than that of the State in each of the prior five calendar years.

**Table D-2**  
**COUNTY OF CONTRA COSTA**  
**EMPLOYMENT AND UNEMPLOYMENT OF**  
**RESIDENT LABOR FORCE**  
**WAGE AND SALARY EMPLOYMENT BY INDUSTRY**  
**ANNUAL AVERAGES (IN THOUSANDS)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
County Civilian Labor Force <sup>(1)</sup>	511.7	524.5	524.8	523.3	524.1
Employment	489.8	492.2	471.5	465.1	469.6
Unemployment	21.9	32.4	53.4	58.2	54.5
Unemployment Rate:					
County	4.3%	6.2%	10.2%	11.1%	10.4%
State of California	5.4%	7.2%	11.3%	12.4%	11.7%
Wage and Salary Employment <sup>(2)</sup>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Farm	0.7	0.7	0.8	0.7	0.9
Goods Producing	49.7	46.5	39.9	36.6	34.8
Trade, Transportation and Utilities	62.3	61.2	57.3	55.9	56.3
Information	13.0	11.8	10.4	9.6	9.0
Financial Activities	29.1	26.6	25.7	25.3	24.5
Professional and Business Services	49.4	49.3	45.9	43.8	45.5
Education and Health Services	44.6	45.6	47.7	48.4	49.2
Leisure and Hospitality	33.2	32.8	31.2	31.3	32.2
Other Services	12.5	12.4	11.7	11.8	12.5
Government	<u>52.2</u>	<u>52.6</u>	<u>51.3</u>	<u>49.2</u>	<u>47.8</u>
TOTAL <sup>(3)</sup>	346.8	339.5	321.8	312.6	312.7

(1) Based on place of residence.

(2) Based on place of work.

(3) Columns may not total due to independent rounding.

Source: State of California, Employment Development Department, and Labor Market Information Division, March 2011 Benchmark.

## Major Employers

Major industries in the County include petroleum refining, telecommunications, financial and retail services, steel manufacturing, prefabricated metals, chemicals, electronic equipment, paper products and food processing. Most of the County's heavy manufacturing is located along the County's northern boundary fronting on the Suisun Bay and San Pablo Bay leading to San Francisco Bay and the Pacific Ocean.

The County is located in the region east of the San Francisco Bay known as the “East Bay,” which also includes the County of Alameda. The following Table D-3 provides a listing of major employers headquartered or with locations in the County who participated in the data collection survey and their estimated firm-wide employment levels.

**Table D-3**  
**MAJOR EMPLOYERS IN THE EAST BAY**  
**WITH EMPLOYEES IN THE COUNTY**  
**2011**

<b><u>Firm</u></b>	<b><u>Primary Location</u></b>	<b><u>Product or Service</u></b>	<b><u>Estimated No. Employees</u></b>
Kaiser Permanente Medical Center <sup>†</sup>	Walnut Creek, Martinez	Healthcare	16,587
State of California	Countywide	State Government	9,586
County of Contra Costa <sup>†</sup>	Martinez	County Government	8,142
Chevron Corp. <sup>†</sup>	Countywide	Energy, Oil and Gas	7,025
U.S. Postal Service	Countywide	Postal Services	6,399
John Muir Health <sup>†</sup>	Walnut Creek	Health Care	6,259
PG&E Corp.	Countywide	Gas and Electric Service	3,420
San Ramon Valley Unified School District	Danville	K-12 Education	2,675
Contra Costa Community College District	Martinez	Education	2,000
Bio-Rad Laboratories <sup>†</sup>	Hercules	Research	1,705

<sup>†</sup> Headquartered in the County.

Sources: County of Contra Costa Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011 and San Francisco Business Times, *2012 Bay Area Book of Lists*. Data is for the reported entity's latest fiscal year.

## **Personal Income**

The United States Department of Commerce, Bureau of Economic Analysis (the “BEA”) produces economic account statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines “personal income” as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors’ income with inventory valuation adjustment and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau’s annual midyear population estimates.

Table D-4 below presents the latest available total income and per capita personal income for the County, the State and the nation for the calendar years 2007 through 2011. The County has traditionally had per capita income levels significantly higher than those of the State and the nation.

**Table D-4**  
**COUNTY OF CONTRA COSTA**  
**PERSONAL INCOME**  
**CALENDAR YEARS 2007 THROUGH 2011<sup>†</sup>**

<u>Year and Area</u>	<u>Personal Income</u> <u>(millions of dollars)</u>	<u>Per Capita</u> <u>Personal Income</u> <u>(dollars)</u>
<b>2011<sup>†</sup></b>		
County	N/A	N/A
State	1,645,138	43,647
United States	12,949,905	41,560
<b>2010</b>		
County	58,383	55,465
State	1,564,209	41,893
United States	12,308,496	39,791
<b>2009</b>		
County	56,221	54,169
State	1,516,677	41,034
United States	11,852,715	38,637
<b>2008</b>		
County	59,914	58,547
State	1,610,698	44,003
United States	12,451,660	40,947
<b>2007</b>		
County	58,044	57,518
State	1,566,400	43,211
United States	11,900,562	39,506

<sup>†</sup> Most recent year for which annual data is available for the County, the State and the United States.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 2012.

## Commercial Activity

Commercial activity comprises an important part of the County's economy, with taxable transactions totaling approximately \$11.9 billion in calendar year 2010, the most recent year for which complete annual data is available. Presented in Table D-5 below is a summary of taxable transactions in the County since 2006.

**Table D-5**  
**COUNTY OF CONTRA COSTA**  
**TAXABLE TRANSACTIONS**  
**CALENDAR YEARS 2006 TO 2010<sup>†</sup>**  
**(\$ IN 000'S)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u> <sup>(1)</sup>	<u>2010</u> <sup>†(1)</sup>
Motor Vehicle and Parts Dealers	—	—	—	\$1,184,803	\$1,234,844
Furniture and Home Furnishings Stores	—	—	—	225,331	227,432
Electronics and Appliance Stores	—	—	—	385,742	356,124
Building Materials and Garden Equipment and Supplies	—	—	—	711,475	718,405
Food and Beverage Stores	—	—	—	657,337	673,326
Health and Personal Care Stores	—	—	—	264,279	264,011
Gasoline Stations	—	—	—	1,151,058	1,312,703
Clothing and Clothing Accessories Stores	—	—	—	642,813	663,243
Sporting Goods, Hobby, Book, and Music Stores	—	—	—	314,924	304,491
General Merchandise Stores	—	—	—	1,380,111	1,406,756
Miscellaneous Store Retailers	—	—	—	397,297	382,048
Nonstore Retailers	—	—	—	47,224	46,613
Food Services and Drinking Places	—	—	—	1,111,182	1,126,398
Apparel Stores	\$462,451	\$470,507	\$528,456	—	—
General Merchandise Stores	1,882,310	1,878,711	1,753,124	—	—
Specialty Stores	1,353,099	(2)	(2)	—	—
Food Stores	607,062	616,296	594,275	—	—
Eating and Drinking Places	1,098,793	1,125,644	1,134,412	—	—
Home Furnishings and Appliances	468,008	427,995	471,620	—	—
Building Materials and Farm Implements	1,027,731	944,683	747,773	—	—
Gasoline Stations	1,190,703	1,351,405	1,514,897	—	—
Automotive and Vehicle Dealers, Parts and Supplies	1,871,103	1,812,785	1,406,932	—	—
All Other Retail Stores	314,647	1,481,678	1,332,819	—	—
Total Retail Outlets	10,275,907	10,109,704	9,484,307	8,473,578	8,716,393
Business and Personal Services	567,375	555,973	533,701	—	—
All Other Outlets	3,024,379	3,420,618	3,289,673	3,409,471	3,237,454
TOTAL ALL OUTLETS	\$13,867,661	\$14,086,295	\$13,307,681	\$11,883,049	\$11,953,846
% CHANGE	2.9%	1.6%	(5.5%)	—	0.6%

<sup>†</sup> Most recent annual data available.

(1) Beginning in 2009, taxable sales and permits were summarized using NAICS codes. As a result of the coding change, industry-level data for 2009 are not comparable to that of prior years.

(2) Beginning in 2007, the data for the category "Specialty Stores" is included in the total for All Other Retail Stores.

Source: State Board of Equalization.

Much of the County's commercial activity is concentrated in central business districts of its cities and unincorporated towns. Regional shopping centers, numerous smaller centers and several "big box"

warehouse stores serve County residents. The County is served by all major banks including Bank of America and Wells Fargo Bank. In addition there are numerous local banks and branches of smaller California and foreign banks.

### Construction Activity

The value of residential building permits in the County \_\_\_\_\_ by \_\_\_\_% in calendar year 2011 compared to calendar year 2010 levels. The \_\_\_\_\_ was due to \_\_\_\_\_.

The following Table D-6 provides a summary of residential building permit valuations and number of new dwelling units authorized in the County since calendar year 2007.

**Table D-6**  
**COUNTY OF CONTRA COSTA**  
**RESIDENTIAL BUILDING PERMIT VALUATIONS**  
**CALENDAR YEARS 2007 THROUGH 2011**  
**(\$ IN THOUSANDS)**

Year	Residential				Alterations and Additions	Total Residential	Nonresidential Valuation	Total
	Single Family Units	Valuation	Mutlifamily Units	Valuation				
2007	2,698	\$832,053	909	\$94,505	\$290,108	\$1,216,665	\$491,315	\$1,707,980
2008	985	300,089	909	132,825	229,023	661,936	459,933	1,121,869
2009	1,038	300,363	163	34,119	170,150	504,632	314,301	818,934
2010	809	237,458	890	106,555	209,044	553,058	285,417	838,475
2011	718	211,418	355	47,305	197,219	455,942	214,521	670,463

† Total represents the sum of residential building permit valuations. Data may not total due to independent rounding.  
Source: Construction Industry Research Board.

An approximately 5,979 acre development located east of the City of San Ramon known as “Dougherty Valley” is expected to add a total 11,000 new homes in the County. The development is being constructed in nine phases with complete buildout expected in 2015. All phases of construction of Dougherty Valley have been approved by the County. To date, approximately 8,900 homes have been constructed, as well as the 2,200 student Dougherty Valley High School which opened in fall 2007; two 900-student middle schools and three 760-student kindergarten through grade 5 elementary schools. For the 2011-12 academic year, approximately 2,000 students in grades 9 through 12 were enrolled in Dougherty Valley High School.

**Urban Limit Line.** In November 2004, County voters approved Measure J, which extended a ½ percent transportation sales tax program within the County. Measure J included a continuation of the Growth Management Program (the “GMP”) originally approved under the transportation sales tax measure, known as “Measure C-1988,” and it carried forward six of eight compliance requirements from the existing Measure C GMP. Measure J also added a new requirement that local jurisdictions adopt a voter-approved Urban Limit Line (a boundary outside of which future growth is prohibited). In order to remain eligible to receive the 18% Local Street Maintenance and Improvement Funds and the 5% Transportation for Livable Communities funds under Measure J, each jurisdiction is required to adopt a voter-approved Urban Limit Line.

On November 7, 2006, the voters in the County approved Measure L that: (i) extended the term of the County’s Urban Limit Line to the Year 2026; (ii) requires voter approval to expand the Urban Limit Line by more than 30 acres; (iii) adopted a new Urban Limit Line Map; and, (iv) established new review procedures.

On April 3, 2007, the County received a letter from the Contra Costa Transportation Authority acknowledging that through the passage of Measure L, the County had a voter-approved Urban Limit Line in compliance with the GMP under Measure J. To date, the County, and the cities of Antioch, Brentwood, Pittsburg and San Ramon each have voter-approved Urban Limit Lines in compliance the Measure C GMP.

## **Transportation**

Availability of a broad transportation network has been one of the major factors in the County's economic and population growth. Interstate 80 connects the western portion of the County to San Francisco and the central portion of the County to Sacramento and points north via Interstate 5, the major north-south highway from Mexico to Canada. Interstate 680 connects the central County communities to the rest of the Bay Area and portions of the Central Valley of the State via State Routes 4 and 24, the County's major east-west arteries.

Caltrans widened Interstate 80 in the western portion of the County at a cost of approximately \$200 million. This project was completed and opened to the public in fall 2009. Caltrans completed construction of the Alfred Zampa Memorial span across the Carquinez Strait on Interstate Highway 80 in 2003; and completed a five lane bridge, with nine toll booths, over the Benicia – Martinez Bridge on Interstate Highway 680 at a cost of approximately \$1.3 billion in August 2007. The realignment of the original Benicia-Martinez Bridge for four lanes of southbound traffic and two-way bicycle and pedestrian traffic opened in August 2009.

Ground transportation is available to County residents from several service providers, as described below:

- Central Contra Costa Transit Authority provides local bus service to the central area of the County including Walnut Creek, Pleasant Hill and Concord.
- BART connects the County to Alameda County, San Francisco, including the San Francisco International Airport, and Daly City and Colma in San Mateo County with two main lines, one from the San Francisco area to Richmond and the other to the Concord/Walnut Creek/Pittsburg/Bay Point area. BART has 43 stations and 104 miles of roadway in its system.
- AC Transit provides local bus service and connects Contra Costa communities to San Francisco and Oakland.
- Other bus service is provided by Greyhound.
- Commuter rail service is provided by the Capital Corridor, with daily runs between the Bay Area and Sacramento that stop at the intermodal facility in Martinez, the County seat.
- The Santa Fe and Union Pacific Railroads' main lines serve the County, both in the industrial coastal areas and in the inland areas.

Commercial water transportation and docking facilities are available through a number of port and marina locations in the County. The Port of Richmond on San Francisco Bay and several privately owned industrial docks on both San Pablo and Suisun Bays serve the heavy industry located in the area. The Port of Richmond, owned and operated by the City of Richmond, is comprised of seven city owned terminals, five dry docks and 11 privately owned terminals, covers approximately 202 acres and handles more than 20 million metric tons of general, liquid and dry bulk commodities annually. The majority of



the shipments are bulk liquids, primarily petroleum, petroleum products, chemicals and petrochemicals, coconut and other vegetable oils, tallow and molasses. Imports of automobiles, agricultural products, vehicles, steel products, scrap metals and other diversified bulk cargo are significant components of Port activities.

Major scheduled airline passenger and freight transportation for County residents is available at either Oakland or San Francisco International Airports, located about 20 and 30 miles, respectively, from the County. In addition there are two general aviation fields, one located in Byron and the other in Concord.

## **Environmental Control Services**

**Water.** The East Bay Municipal Utilities District (“EBMUD”) and the Contra Costa County Water District (“CCWD”) supply water to the County. EBMUD supplies water to the western part of the County, including Alamo, Crockett, Danville, Diablo, Hercules, Lafayette, Moraga, Orinda, Pinole, portions of Pleasant Hill, Richmond, Rodeo, San Pablo, San Ramon Selby and portions of Walnut Creek. Approximately 89% of its supply is from the Mokelumne River watershed stored at the 69.4 billion gallon capacity Pardee Dam in Ione, California. EBMUD is entitled to 325 million gallons per day under a contract with the State Water Resources Control Board, plus an additional 119 million gallons per day in a single dry year under a contract with the U.S. Water and Power Resources Service (formerly the U.S. Bureau of Reclamation). After dry winters in 2006 and 2007, EBMUD water supplies were at critically low levels. To safeguard the shrinking supply, in spring 2008, EBMUD declared a drought emergency, imposed mandatory water rationing goals ranging from 5% for industrial users to 19% for single family residential users to 30% for irrigation user, and imposed drought surcharge rates commencing August 1, 2008. As a result of strong customer conservation and greater run-off in spring 2009, the mandatory rationing program was terminated and was replaced with a voluntary 10% conservation program. The voluntary conservation program was terminated on April 27, 2010.

CCWD obtains its water from the Sacramento-San Joaquin Delta and serves approximately 500,000 customers in the central and eastern part of the County, including Antioch, Bay Point, Clayton, Clyde, Concord, Martinez, Oakley, portions of Pleasant Hill, Pittsburg and portions of Walnut Creek. It is entitled under a contract with the U.S. Water and Power Resources Service to purchase 195,000 acre-feet per year. Water purchased by CCWD has ranged between 80,000 and 110,000 acre-feet annually. In addition, a number of industrial users and several municipalities draw water directly from the San Joaquin River under their own riparian rights, so that actual water usage in the service area averages about 125,000 acre-feet annually. To provide expanded water storage capacity, CCWD constructed the Los Vaqueros Reservoir with a capacity of 100,000 acre-feet south of the City of Antioch. In spring 2004, 62% the voters within CCWD approved the preparation of an economic analysis, a technical feasibility report and environmental review to expand the reservoir up to 275,000 acre-feet. In March 2010, the final Environmental Impact Statement/Environmental Impact Report to expand the reservoir to 160,000 square feet were certified. Construction was complete and the expanded reservoir was dedicated on July 13, 2012.

**Sewer.** Sewer services in the County are provided by approximately 20 sanitation districts and municipalities. Federal and State environmental requirements, plus grant money available from these two sources, resulted in upgrading, expanding and/or building new facilities by approximately 14 agencies.

**Flood Control.** The Contra Costa County Flood Control and Water Conservation District (the “District”) has been in operation since 1951 to plan, build, and operate flood control projects in unincorporated areas of the County except for the Delta area on its eastern border. The Delta is interspersed with inland waterways that fall under the jurisdiction of the U.S. Army Corps of Engineers and the State Department of Water Resources. The District is responsible for meeting requirements set forth by the Environmental Protection Agency (“EPA”) with respect to addressing potential pollutants in

nonspecific groundwater runoff. The County is not presently able to estimate the cost of compliance with EPA requirements, although such costs may be significant.

## **Education and Health Services**

**Education.** Public school education in the County is available through nine elementary school districts, two high school districts and seven unified school districts. As of Fiscal Year 2011-12, these districts provided: 141 elementary schools; 46 middle, junior high and intermediate schools; five alternative schools; 36 high schools; 13 continuation schools; four community day schools; four charter elementary schools; one charter high school; five alternative schools; one independent school; juvenile court education facilities; three adult schools; four special education facilities; and a number of preschools. In addition, there are 116 private schools with six or more students in the County. School enrollment for Fiscal Year 2011-12 (the most recent year for which data is available) numbered approximately 169,400 students in public schools and approximately 16,300 in regular graded private schools.

Higher education is available in the County through a combination of two-year community colleges and four-year colleges, including the Contra Costa County Community College District which has campuses in Brentwood, Pleasant Hill, Pittsburg, San Pablo, San Ramon and Walnut Creek; California State University East Bay which operates a branch campus, called Contra Costa Center, in the City of Concord where late afternoon and evening classes in business, education and liberal arts are offered; and St. Mary's College of California, a four-year private institution, located on a 100-acre campus in Moraga. Also located within the County is the John F. Kennedy University with campuses in Pleasant Hill and Pittsburg, the UC Berkeley Extension Contra Costa Center in San Ramon and the University of Phoenix Campus in Concord.

**Health Services.** There are 12 privately operated hospitals and one public hospital in the County, with a combined total of approximately 1,900 beds. The major public hospital is the Contra Costa Regional Medical Center located in Martinez. See also "Contra Costa Regional Medical Center." Five of the private hospitals are run by Kaiser, the largest health maintenance organization in the United States. The Walnut Creek-based John Muir/Mt. Diablo Health System operates hospitals at its Walnut Creek and Concord Campuses and outpatient services at its Brentwood Campus and in Rossmore.

Doctors Medical Center. Doctors Medical Center is operated by the West Contra Costa Health Care District (the "Health Care District"). This 247 bed facility is located in the western portion of the County, which has a population of approximately 250,000, a large portion of whom are low income. Doctors Medical Center provides medical services to the general public and is a critical component of the County Emergency Medical Services system.

Contra Costa Regional Medical Center. The public hospital in the County is Contra Costa Regional Medical Center ("CCRMC"), a 164-bed facility located in the City of Martinez. The County completed a public health/clinical laboratory in 2001 on the CCRMC campus, converted the former Los Medanos Hospital into the Pittsburg Health Center, completed construction of an ambulatory care clinic on the campus of CCRMC and expanded clinics in Antioch, Concord and Brentwood. In 2009, the County reopened the Bay Point Family Health Center in Pittsburg, following extensive renovations, including construction of a state-of-the-art children's dental clinic, and on October 9, 2012, the County opened the West County Health Center in San Pablo, a two-story, 53,000 square foot health center.

**APPENDIX E**  
**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## APPENDIX F

### DTC AND THE BOOK ENTRY SYSTEM

*The information in this Appendix F concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC and the County takes no responsibility for the completeness or accuracy thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the 2013 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2013 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2013 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.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2013 Bonds. The 2013 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 security certificate will be issued for the maturity and CUSIP number of the 2013 Bonds and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2013 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 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2013 Bonds, except in the event that use of the book-entry system for the 2013 Bonds is discontinued.

To facilitate subsequent transfers, all 2013 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 the 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Fiscal Agent Agreement. For example, Beneficial Owners of the 2013 Bonds may wish to ascertain that the nominee holding the 2013 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2013 Bonds within a maturity are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

DTC may discontinue providing its services as depository with respect to the 2013 Bonds at any time by giving reasonable notice to the Issuer or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, 2013 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2013 Bond certificates will be printed and delivered.

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