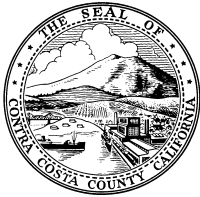


PRELIMINARY OFFICIAL STATEMENT DATED JULY 21, 2015

NEW ISSUE - BOOK ENTRY ONLY
[DAC Logo]

RATINGS: S&P: ____
Moody's: ____
See "RATINGS"

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2015 Bonds. See "TAX MATTERS."



\$____,____,000*
**COUNTY OF CONTRA COSTA PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS (REFUNDING AND CAPITAL PROJECTS),
2015 SERIES A AND 2015 SERIES B
comprised of:**

\$____,____,000* 2015 Series A
\$____,____,000* 2015 Series B

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The County of Contra Costa Public Financing Authority (the "Authority") is issuing \$____,____,000* aggregate principal amount of County of Contra Costa Public Financing Authority Lease Revenue Bonds, comprised of: \$____,____,000* principal amount of County of Contra Costa Public Financing Authority Lease Revenue Bonds (Refunding and Capital Projects), 2015 Series A (the "2015 Series A Bonds") and \$____,____,000* principal amount of County of Contra Costa Public Financing Authority Lease Revenue Bonds (Refunding and Capital Projects), 2015 Series B (the "2015 Series B Bonds" and together with the 2015 Series A Bonds, the "2015 Bonds"). The 2015 Bonds are being issued to: (i) finance the acquisition and installation of solar photovoltaic panels to be located at multiple locations within the County, and the construction, acquisition, installation and equipping of a behavioral health and medical clinic (together, the "2015 Project") within the County of Contra Costa (the "County"); (ii) depending upon market conditions on the sale date of the 2015 Bonds, refund all or a portion of \$59,880,000* aggregate principal amount of outstanding County of Contra Costa Public Financing Authority Lease Revenue Bonds described herein (collectively the "Prior Bonds"); and (iii) purchase a surety bond policy as security for the 2015 Bonds; and (iv) pay certain costs associated with the issuance of the 2015 Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The 2015 Bonds are issued pursuant to a Trust Agreement, dated as of July 1, 2015 (the “Trust Agreement”), by and between the Authority and the Trustee and acknowledged by the County. The 2015 Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided herein, and the Authority is not obligated to pay them except from the Revenues. Revenues consist primarily of Base Rental Payments (as defined herein) to be made by the County to the Authority for the use and occupancy of the Facilities (defined herein) pursuant to the Facilities Lease, dated as of July 1, 2015 (the “Facilities Lease”) by and between the Authority and the County. The County covenants in the Facilities Lease to take such action as may be necessary to include all such Base Rental Payments and Additional Payments in its annual budgets and to make the necessary annual appropriations therefor. The obligation of the County to make Base Rental Payments is subject to proportional abatement during any period in which by reason of any damage or destruction (other than by condemnation) there is substantial interference with the use and occupancy of the Facilities by the County, except as otherwise described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS.”

The principal of the 2015 Bonds is payable on June 1 of each year as set forth on the inside cover page. Interest on the 2015 Bonds is payable on June 1 and December 1 in each year, commencing December 1, 2015.

The 2015 Bonds will be initially delivered in book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Principal of, redemption premium, if any, and interest on each Series of 2015 Bonds will be paid by Wells Fargo Bank, National Association, as trustee (the “Trustee”), to DTC. DTC is obligated to remit such principal and interest to its DTC Participants for disbursement to the beneficial owners of the 2015 Bonds. See APPENDIX H–“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

The 2015 Bonds are subject to optional, extraordinary and mandatory redemption as described herein. See “2015 BONDS–Redemption Provisions.”

THE 2015 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR THE COUNTY OR ANY OF THEIR INCOME OR RECEIPTS, EXCEPT THE REVENUES (AS DESCRIBED HEREIN). NEITHER THE FULL FAITH NOR THE CREDIT OF THE AUTHORITY OR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE 2015 BONDS. NEITHER THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2015 BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS UNDER THE FACILITIES LEASE CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY, THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISION FOR WHICH EITHER ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains certain information for general reference only. It is *not* intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. An investment in the 2015 Bonds involves risk. For a discussion of certain risk factors associated with investment in the 2015 Bonds, see “CERTAIN RISK FACTORS” as well as other factors discussed throughout this Official Statement.

The 2015 Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to approval as to their validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Authority. Certain other legal matters will be passed upon for the County and the Authority by County Counsel and by Schiff Hardin LLP, San Francisco, California, Disclosure Counsel and for the Underwriter by Nossaman LLP, Irvine, California. It is anticipated that the 2015 Bonds in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about August __, 2015.

PIPER JAFFRAY

Date of Official Statement: _____, 2015.

* Preliminary, subject to change.

MATURITY SCHEDULE

\$ __, __, 000*

**COUNTY OF CONTRA COSTA PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS (REFUNDING AND CAPITAL PROJECTS),
2015 SERIES A AND 2015 SERIES B
comprised of:**

\$ __, __, 000* 2015 Series A

Maturity Date (June 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP No. [†]
---------------------------	---------------------	------------------	-------	-------	------------------------

\$ __, __, 000* 2015 Series B

Maturity Date (June 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP No. [†]
---------------------------	---------------------	------------------	-------	-------	------------------------

* Preliminary, subject to change.

† Copyright, 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 convenience of reference only. None of the Authority or the Underwriter take any responsibility for the accuracy of such CUSIP numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2015 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity.

No dealer, broker, salesperson or other person has been authorized by the County or the Authority to give any information or to make any representation 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 2015 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 2015 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

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 2015 Bonds.

The information set forth herein has been obtained from the County 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 Authority since the date hereof. This Official Statement is submitted in connection with the sale of the 2015 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 Trust Agreement and the Facilities Lease. 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 include, but are not limited to, statements contained in APPENDIX B—“COUNTY FINANCIAL INFORMATION.” 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 Authority 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 2015 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 2015 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, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices of a Series of 2015 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell Series of 2015 Bonds to certain dealers and banks at prices lower than the initial public offering prices and at yields higher than stated on the inside pages and such initial public offering prices and yields may be changed from time to time by the Underwriter.

**COUNTY OF CONTRA COSTA, CALIFORNIA
BOARD OF SUPERVISORS OF THE COUNTY**

John M. Gioia
(District 1)
Chair

Candace Anderson
(District 2)
Vice Chair

Mary N. Piepho
(District 3)

Karen Mitchoff
(District 4)

Federal D. Glover
(District 5)

COUNTY OFFICIALS

David J. Twa
Clerk of the Board and County Administrator

Robert R. Campbell
Auditor-Controller

Russell V. Watts
Treasurer-Tax Collector

Sharon L. Anderson
County Counsel

Gus S. Kramer
Assessor

Joe Canciamilla
County Clerk-Recorder

Lisa Driscoll
County Finance Director

SPECIAL SERVICES

Orrick, Herrington & Sutcliffe LLP
San Francisco, California
Bond Counsel

Schiff Hardin LLP
San Francisco, California
Disclosure Counsel

Montague DeRose and Associates, LLC
Walnut Creek, California
Financial Advisor

Wells Fargo Bank, National Association
San Francisco, California
Trustee

Grant Thornton LLP
San Francisco, California
Verification Agent

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\$ __, __, 000*
COUNTY OF CONTRA COSTA PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS (REFUNDING AND CAPITAL PROJECTS),
2015 SERIES A AND 2015 SERIES B
comprised of:

\$ __, __, 000* 2015 Series A
\$ __, __, 000* 2015 Series B

INTRODUCTION

This Introduction contains only a brief summary of the terms of the 2015 Bonds being offered and a brief description of this Official Statement. A full review should be made of the entire Official Statement, including the inside cover through the Appendices. 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 Trust Agreement (defined below). See APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—CERTAIN DEFINITIONS."

General; Purpose

This Official Statement, which includes the cover page through the Appendices hereto (the "Official Statement"), provides certain information concerning the issuance by the County of Contra Costa Public Financing Authority (the "Authority") of \$ __, __, 000* aggregate principal amount of County of Contra Costa Public Financing Authority Lease Revenue Bonds, comprised of: \$ __, __, 000* principal amount of County of Contra Costa Public Financing Authority Lease Revenue Bonds (Refunding and Capital Projects), 2015 Series A (the "2015 Series A Bonds") and \$ __, __, 000* principal amount of County of Contra Costa Public Financing Authority Lease Revenue Bonds (Refunding and Capital Projects), 2015 Series B (the "2015 Series B Bonds" and together with the 2015 Series A Bonds, the "2015 Bonds"). The 2015 Bonds are being issued to: (i) finance the acquisition and installation of solar photovoltaic panels to be located at multiple locations within the County, and the construction, acquisition, installation and equipping of a behavioral health and medical clinic (together, the "2015 Project") within the County of Contra Costa (the "County"); (ii) depending upon market conditions on the sale date of the 2015 Bonds, refund all or a portion of \$59,880,000* aggregate principal amount of outstanding County of Contra Costa Public Financing Authority Lease Revenue Bonds described herein (collectively, the "Prior Bonds"); and (iii) purchase a surety bond policy as security for the 2015 Bonds; and (iv) pay certain costs associated with the issuance of the 2015 Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The 2015 Bonds are limited obligations of the Authority payable as to the interest thereon, principal thereof and any redemption premium solely from Revenues, consisting primarily of base rental payments (the "Base Rental Payments") to be made by the County and paid to the Authority for the use and occupancy of certain real property and improvements (each a "Facility" and together, the "Facilities"). The Authority is not obligated to make payments on the 2015 Bonds except from Revenues. The Facilities will be leased by the County to the Authority pursuant to the terms and conditions of a Site Lease with respect to 2015 Bonds, dated as of July 1, 2015 (the "Site Lease"), between the County, as lessor, and the Authority, as lessee. See "THE FACILITIES." Pursuant to the terms and conditions of a Facilities Lease, dated as of July 1, 2015 (the "Facilities Lease"), between the Authority, as lessor and the County, as lessee, the Authority will let each of the Facilities to the County. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS."

* Preliminary, subject to change.

THE 2015 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR THE COUNTY OR ANY OF THEIR INCOME OR RECEIPTS, EXCEPT THE REVENUES (AS DESCRIBED HEREIN). NEITHER THE FULL FAITH NOR THE CREDIT OF THE AUTHORITY OR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE 2015 BONDS. NEITHER THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2015 BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS UNDER THE FACILITIES LEASE CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY, THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISION FOR WHICH EITHER ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

Authority for Issuance

The 2015 Bonds will be issued pursuant to the Constitution and the laws of the State of California (the "State"), resolutions adopted by the Authority and the County and a Trust Agreement, dated as of July 1, 2015 (the "Trust Agreement"), between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee") and acknowledged by the County.

Security and Sources of Payment

General. Pursuant to the Trust Agreement, the Authority pledges to the Trustee, for the benefit of the Bondholders, all of the "Revenues," defined as all Base Rental Payments and other payments paid by the County and received by the Authority pursuant to the Facilities Lease (excluding Additional Payments); and all interest or other income from any investment of any money held in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement or the Facilities Lease.

The County covenants under the Facilities Lease that so long as the each Facility is available for use and occupancy by the County, it will take such action as may be necessary to include the Base Rental Payments and Additional Payments with respect to the Facilities Lease in its annual budgets and to make the necessary annual appropriations therefor. Base Rental Payments are included in and allocated to individual department budgets. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS."

The Base Rental Payments made by the County pursuant to the Facilities Lease are subject to complete or partial abatement in the event of substantial interference with the use and occupancy by the County of the Facilities caused by damage to or destruction (other than by condemnation) of such Facilities. See "CERTAIN RISK FACTORS" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS—Pledge of Revenues." Abatement of Base Rental Payments under the Facilities Lease could result in the Bondholders of such Series of 2015 Bonds receiving less than the full amount of principal of and interest on the 2015 Bonds, except to the extent proceeds of insurance or moneys in the Reserve Fund (as described herein) are available to make payments of principal of or interest on the 2015 Bonds (or the relevant portion thereof) during periods of abatement of the Base Rental.

Abatement of Base Rental Payments with respect to one Facility under the Facilities Lease will *not* result in the abatement of Base Rental Payments for another Facility.

Additional Parity Bonds. The Authority may only issue additional bonds under the Trust Agreement (“Additional Bonds”) secured on a parity with the 2015 Bonds for the sole purpose of acquiring or constructing facilities to be added to the Facilities or for the refunding of Outstanding 2015 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS–Additional Bonds.” The 2015 Bonds, together with any Additional Bonds issued pursuant to the Trust Agreement, are herein referred to as the “Bonds.”

Reserve Fund

Pursuant to the Trust Agreement, a reserve fund (the “Reserve Fund”) is established for the benefit of the Bondholders of the 2015 Bonds in an amount equal to the Reserve Fund Requirement (as defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS–Reserve Fund.”

Certain Risk Factors

An investment in the 2015 Bonds involves risk. For a discussion of certain risk factors associated with investment in the 2015 Bonds, see “CERTAIN RISK FACTORS” as well as other factors discussed throughout this Official Statement.

Continuing Disclosure

The County has covenanted for the benefit of the beneficial owners of the 2015 Bonds to provide certain financial information and operating data relating to the County by no later than nine 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, 2015 (each an “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of specified events will be filed by the County or Digital Assurance Certification, L.L.C., as dissemination agent, through the Electronic Municipal Market Access site maintained by the Municipal Securities Rulemaking Board (the “MSRB”). The specific nature of the information to be contained in the Annual Report or the notices of specified events is set forth in APPENDIX G–“PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Reference to Documents

The summaries and descriptions in this Official Statement of the Trust Agreement, the Facilities Lease, the Site Lease, the Continuing Disclosure Agreement, and other agreements relating to the 2015 Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the 2015 Bonds are qualified in their entirety by the form thereof and the information with respect thereto included in such documents. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Trust Agreement and the Facilities Lease. See APPENDIX E–“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–CERTAIN DEFINITIONS.”

PLAN OF FINANCE

2015 Project

The 2015 Project consists of the acquisition and installation of solar photovoltaic panels to be located on multiple locations within the County, and the construction, acquisition, installation and equipping of a behavioral health and medical clinic.

Solar Photovoltaic Panels. This component of the 2015 Project consists of the acquisition and installation of solar photovoltaic panels that will have an aggregate capacity of approximately 1,742 kilowatts and generate an estimated 2,952,000 kilowatt-hours per year. The solar photovoltaic panels will be installed on canopies located on six sites within the County, currently identified as: the Juvenile Hall (202 Glacier Drive in Martinez, California); the Sheriff Coroner-Forensic Science Center (1960 Muir Road, in Martinez, California); the Office of Emergency Services (50 Glacier Drive, in Martinez, California); the Sheriff Patrol and Investigation Facility (1980 Muir Road, in Martinez, California); the Public Works Department Administrative office building (255 Glacier Road, in Martinez, California); and the West County Health Center (13601 San Pablo Avenue in San Pablo, California). It is expected that installation of the solar photovoltaic panels will result in energy savings to the County of 51% for the six sites during the first year of operations. The solar photovoltaic panels have an expected useful life of 25 years.

Behavioral Health and Medical Clinic Expansion. This component of the 2015 Project consists of the construction, acquisition, installation and equipping of an approximately 12,000 square foot behavioral health facility and expansion of a medical clinic (approximately 10,000 square feet) to be located on an approximately 0.93 acre parcel in San Pablo, California (the "Behavioral Health and Medical Expansion"). This Facility will be located adjacent and connected to the County's West County Health Center, located at 13601 San Pablo Avenue in San Pablo, California. Construction of the Behavioral Health and Medical Expansion is expected to commence in February 2016 and is expected to be completed in August 2017.

Refunding

The Authority issued the Prior Bonds pursuant to a Trust Agreement, dated as of February 1, 1999, as supplemented by the First Supplemental Trust Agreement, dated as of January 1, 2001, the Second Supplemental Trust Agreement, dated as of May 1, 2001, the Third Supplemental Trust Agreement, dated as of June 1, 2002, the Fourth Supplemental Trust Agreement, dated as of July 1, 2002, the Fifth Supplemental Trust Agreement, dated as of July 1, 2003, the Sixth Supplemental Trust Agreement, dated as of March 1, 2007 and the Seventh Supplemental Trust Agreement, dated as of August 1, 2007 (as previously amended and supplemented, the "Prior Trust Agreement"), by and between the Authority and BNY Western Trust Company, as succeeded by Wells Fargo Bank, National Association, as successor trustee (the "Prior Trustee"), and acknowledged by the County. The Prior Bonds were delivered to finance and refinance the costs of acquiring, constructing and renovating certain County facilities and to provide funds to acquire and install other capital improvements for the County.

The portion of the Prior Bonds being refunded by the 2015 Bonds are referred to as the "Refunded Bonds."

A portion of the proceeds of the 2015 Series B Bonds will be deposited with the Prior Trustee which, together with certain moneys on deposit under the Prior Trust Agreement with respect to the Refunded Bonds, will be sufficient and will be used to redeem the Refunded Bonds at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest through the redemption date.

Depending upon market conditions on the sale date of the 2015 Bonds, the Refunded Bonds are expected to consist of all or a portion of the following:

\$11,240,000*
Contra Costa County Public Financing Authority
Lease Revenue Bonds
(Refunding and Various Capital Projects)
1999 Series A
Dated Date: March 4, 1999
Redemption Date: August 25, 2015
Redemption Price: 100%

<u>Maturity Date</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>(21226P)[†]</u>
2016	\$1,580,000	5.25%	JC3
2017	610,000	4.75	JD1
2018	635,000	4.75	JE9
2019	665,000	5.00	JF6
2028 ^{††}	7,750,000	5.00	JG4

\$575,000*
Contra Costa County Public Financing Authority
Lease Revenue Bonds
(Various Capital Projects)
2002 Series A
Dated Date: June 27, 2002
Redemption Date: August 25, 2015
Redemption Price: 100%

<u>Maturity Date</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>(21226P)[†]</u>
2016	\$575,000	4.50%	EH7

* Preliminary, subject to change.

† Copyright, 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 convenience of reference only. None of the Authority or the Underwriter take any responsibility for the accuracy of such numbers.

†† Term bond.

\$5,350,000*
Contra Costa County Public Financing Authority
Lease Revenue Bonds
(Refunding and Various Capital Projects)
2002 Series B
Dated Date: June 27, 2002
Redemption Date: August 25, 2015
Redemption Price: 100%

Maturity Date (June 1)	Amount	Interest Rate	CUSIP (21226P) [†]
2016	\$1,225,000	4.50%	FJ2
2017	1,300,000	4.40	FK9
2018	1,360,000	4.50	FL7
2019	1,465,000	4.60	FM5

\$1,565,000*
Contra Costa County Public Financing Authority
Lease Revenue Bonds
(Various Capital Projects)
2003 Series A
Dated Date: August 14, 2003
Redemption Date: August 25, 2015
Redemption Price: 100%

Maturity Date (June 1)	Amount	Interest Rate	CUSIP (21226P) [†]
2016	\$770,000	4.30%	FZ6
2017	795,000	4.50	GA0

* Preliminary, subject to change.

† Copyright, 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 convenience of reference only. None of the Authority or the Underwriter take any responsibility for the accuracy of such numbers.

\$41,150,000*
Contra Costa County Public Financing Authority
Lease Revenue Bonds
(Refunding and Various Capital Projects)
2007 Series A
Dated Date: March 14, 2007
Redemption Date: June 1, 2017
Redemption Price: 100%

<u>Maturity Date</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>(21226P)[†]</u>
2018	\$3,880,000	4.00%	GQ5
2019	5,285,000	4.00	GR3
2020	5,495,000	5.00	GS1
2021	5,770,000	5.00	GT9
2022	5,195,000	5.00	GU6
2023	1,715,000	4.50	GW2
2023	3,735,000	4.75	GV4
2024	2,300,000	4.50	GX0
2025	2,410,000	4.75	GY8
2026	2,520,000	4.50	GZ5
2027	2,225,000	4.50	HA9
2028	620,000	4.50	HB7

* Preliminary, subject to change.

† Copyright, 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 convenience of reference only. None of the Authority or the Underwriter take any responsibility for the accuracy of such numbers.

Upon the deposit of cash into an escrow fund (the "Refunded Bonds Escrow Fund") established pursuant to an Escrow Agreement, dated as of July 1, 2015 (the "2015 Escrow Agreement") by and between the Authority and the Prior Trustee, the Refunded Bonds will no longer be deemed outstanding under the Prior Trust Agreement. The amount on deposit in the Refunded Bonds Escrow Fund will be sufficient to redeem the Refunded Bonds at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest to the respective redemption dates.

The mathematical computations used to determine the sufficiency of the escrow deposit to defease the Refunded Bonds will be verified by Grant Thornton LLP (the "Verification Agent") who will deliver a report to such effect upon delivery of the 2015 Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS FOR THE 2015 SERIES B BONDS."

THE FACILITIES

The County will lease the first five Facilities summarized in Table 1 and, if all of the Prior Bonds are refunded, the last two Facilities will also be leased to the Authority pursuant to the Site Lease, and the Authority will lease back each of those Facilities to the County pursuant to the Facilities Lease. The Facilities consist of a number of County properties and the sites thereof. The Facilities include site development, landscaping, utilities, equipment, furnishings, improvements and appurtenant, and related facilities located on the real property, including any future improvements made to such Facilities.

The County covenants in the Facilities Lease to use the Facility for County and public purposes and so long as each such Facility is available for its use and occupancy, the County covenants to take such actions as may be necessary to include all Base Rental Payments and Additional Payments with respect to each Facility in its annual budgets and to make the necessary annual appropriations therefor. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS.”

The current insured value of each Facility included in the following table is based upon an independent appraisal originally completed in 2009. Each August, the insurer reviews third quarter factors for the western section of the country developed by a national provider of real estate information, analytics, and services to update County real property and content values for insurance purposes. The actual market value of each Facility may differ materially from the estimated insured value summarized in Table 1. The Authority has only a leasehold interest in each Facility and is not authorized to sell any Facility. The County represents and agrees that the annual Base Rental Payments do not exceed the annual fair rental value of the related Facilities. See also “CERTAIN RISK FACTORS–Base Rental Payments Not a Debt of the County; Other County Obligations.”

Department of Information Technology Building. This Facility is an approximately 44,840 gross square foot, two-story, wood frame, wood fascia building located on an approximately 1.7 acre site at 30 Douglas Drive in Martinez, California. This Facility was constructed in 1989, and includes a 128-surface parking lot for employees, department vehicles, and the public. The offices of administration, technical services and data processing support for the County are located in this Facility.

Forensic Science Building. This Facility is an approximately 21,160 gross square foot, two-story, noncombustible steel frame, stucco building located on an approximately 0.8 acre site at 1960 Muir Road in Martinez, California. This Facility was constructed in 1991, and includes a 37-space surface parking lot for employees, department vehicles, and the public. The County forensic laboratory, including offices, laboratories and morgue are located in this Facility.

Health Services Building. This Facility is an approximately 42,057 square foot, three-story, noncombustible steel frame brick and glass building located on an approximately 1.6 acre site at 595 Center Avenue in Martinez, California. This Facility was constructed in 1985, and includes a 131-space surface parking lots for employees, department vehicles, and the public.

John A. Davis Juvenile Hall Detention Facility. This Facility is an approximately 122,480 square foot, two-story, masonry frame, concrete building located on an approximately 22.3 acre site at 202 Glacier Drive in Martinez, California. This Facility opened in June 2005 and is a 209-bed, maximum security detention facility for juvenile offenders up to the age of 18. This Facility includes 10 housing units, a large kitchen, laundry area, fully accredited year-round school, a library, a complete medical wing and a surface parking lot for employees, department vehicles, and the public.

East County Social Services Building. This Facility is an approximately 54,067 square foot, two-story, engineered wood frame, stucco, glass and wood building located on an approximately 4.9 acre site at 4545 Delta Fair Boulevard in Antioch, California. This Facility was constructed in 1988, and a 321-space surface parking lot for employees and the public. The County Employment and Human Services Division is located in this Facility.

If all of the Prior Bonds are refunded, the following two Facilities will also be leased:

Animal Services Building. This Facility is an approximately 38,633 square foot, single-story, engineered wood frame construction building located on an approximately 9.4 acre site at 4800 Imhoff Place in Martinez, California. This Facility was constructed in 2005, and includes a 67-space surface parking lot for employees and the public.

Sheriff's Patrol and Investigation Facility. This Facility is an approximately 25,932 square foot, two-story, noncombustible steel moment frame, stucco building located on an approximately 12.7 acre site at 1980 Muir Road in Martinez, California. This Facility was constructed in 1989, and includes a 105-space surface parking lot for employees and the public.

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Table 1
Estimated Value of the Facilities

Facilities	Address	Original Completion Year	Approx. Acreage of Site	Approx. Building Square Footage	Term of Facilities Lease*	Insured Value (\$ millions) [†]
Data Processing Building	30 Douglas Drive, Martinez	1989	1.7	44,840	20	\$5.992
Forensic Science Center	1960 Muir Road, Martinez	1991	0.8	21,160	10	6.365
Health Services Building	595 Center Avenue, Martinez	1985	1.6	42,057	20	10.072
Juvenile Detention Facility	202 Glacier Drive, Martinez	2005	22.3	122,480	13	37.654
East County Social Services Building	4545 Delta Fair Blvd, Antioch	1988	4.9	54,067	13	10.075
Animal Services Building	4800 Imhoff Place, Martinez	2005	9.4	38,633	13	14.716
Sheriff's Patrol and Investigation Facility	1980 Muir Road, Martinez	1989	12.7	25,932	4	<u>6.079</u>
TOTAL FACILITIES:						\$90.953

* Preliminary, subject to change.

† As of July 1, 2015, based upon a comprehensive appraisal originally prepared in 2009 by an independent appraiser and updated annually as described above.

Source: County Administrator's Office.

Pursuant to the terms of the Facilities Lease, the County and the Authority may substitute other properties for the Facilities or portions thereof upon the satisfaction of certain conditions. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS—Addition; Substitution and Release of Property."

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the issuance of the 2015 Bonds and available funds associated with the Refunded Bonds.

Table 2
Estimated Sources and Uses of Funds

	2015	2015	
SOURCES:	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Total</u>
Principal Amount of 2015 Bonds			
Net Original Issue Premium/(Discount)			
TOTAL SOURCES			
USES:			
Deposit to Project Fund			
Deposit to Refunded Bonds Escrow Account.....			
Costs of Issuance [†]			
Underwriter's Discount.....			
TOTAL USES			

[†] Includes legal and professional fees, rating agency, surety bond policy and title insurance fees, printing costs and other miscellaneous costs of issuance.

2015 BONDS

General

The 2015 Bonds of each Series are limited obligations of the Authority payable solely from Revenues, consisting primarily of Base Rental Payments to be made by the County under the Facilities Lease.

The 2015 Bonds of each Series will be dated their date of issuance, issued as fully registered bonds and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2015 Bonds. Ownership interests in the 2015 Bonds may be purchased in book-entry form only, in the denominations hereinafter set forth. Purchasers will not receive physical certificates representing their beneficial ownership interest in the 2015 Bonds. So long as a Series of 2015 Bonds are registered in the name of Cede & Co., payment of principal of premium, if any and interest on such Series of 2015 Bonds will be payable to DTC. See APPENDIX H—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Ownership interests in each Series of 2015 Bonds will be in Authorized Denominations of \$5,000 or any integral multiple thereof. The 2015 Bonds will mature on the dates and in the principal amounts, and the interest payable thereon will be computed at the rates, all as set forth on the inside cover page of this Official Statement.

Interest on the 2015 Bonds is payable on June 1 and December 1 (each an “Interest Payment Date”) of each year, commencing December 1, 2015 calculated from their date of issuance on the basis of a 360-day year composed of twelve 30-day months.

Redemption Provisions

Optional Redemption for 2015 Series A Bonds. The 2015 Series A Bonds maturing on or prior to June 1, 20__ are ***not*** subject to optional redemption.

The 2015 Series A Bonds maturing on or after June 1, 20__, are subject to redemption prior to their respective stated maturities at the written direction of the Authority, from any moneys deposited by the Authority or the County, as a whole or in part on any date (in such maturities as are designated in writing by the Authority to the Trustee) on or after June 1, 20__, at a redemption price equal to 100% of the principal amount of the 2015 Series A Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Optional Redemption for 2015 Series B Bonds. The 2015 Series B Bonds maturing on or prior to June 1, 20__ are ***not*** subject to optional redemption.

The 2015 Series B Bonds maturing on or after June 1, 20__, are subject to redemption prior to their respective stated maturities at the written direction of the Authority, from any moneys deposited by the Authority or the County, as a whole or in part on any date (in such maturities as are designated in writing by the Authority to the Trustee) on or after June 1, 20__, at a redemption price equal to 100% of the principal amount of the 2015 Series B Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. Upon notice given as provided in the Trust Agreement, the 2015 Series A Bonds maturing on June 1, 20__ and the 2015 Series B Bonds on June 1, 20__, together, the “2015 Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity, in part on June 1 of each year on the Mandatory Sinking Account Payment Dates specified in the Trust Agreement, by lot, from and in the amount of the mandatory sinking account payments set forth below at a redemption price equal to the sum of the principal amount thereof plus accrued interest thereon to the redemption date, without premium.

2015 Series A 20__ Sinking Account

Mandatory Sinking Account
Payment Date (June 1)

Mandatory Sinking
Account Payments

2015 Series B 20__ Sinking Account

Mandatory Sinking Account
Payment Date (June 1)

Mandatory Sinking
Account Payments

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section. On each Principal Payment Date, following payment of principal of and interest on the Bonds, any excess amount on deposit in the

Revenue Fund shall be transferred to the Reserve Fund to the extent necessary to increase the amount therein to the Reserve Fund Requirement for all Bonds that have a Reserve Fund Requirement and any excess shall be returned to the County as an excess payment of Base Rental Payments.

Extraordinary Redemption. The 2015 Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as provided in the Trust Agreement, as a whole or in part by lot within each stated maturity in integral multiples of Authorized Denominations, from prepayments made by the County pursuant to the Facilities Lease, at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the Redemption Date. Whenever less than all of the Outstanding Bonds are to be redeemed on any one date, the Trustee shall select, in accordance with written directions from the Authority, the Bonds to be redeemed in part from the Outstanding Bonds so that the aggregate annual principal amount of and interest on Bonds which shall be payable after such Redemption Date shall be as nearly proportional as practicable to the aggregate annual principal amount of and interest on Bonds Outstanding prior to such Redemption Date.

Redemption Procedures

Selection of 2015 Bonds for Redemption. The Authority shall designate which maturities of 2015 Bonds of a Series and the principal amount of 2015 Bonds which are to be redeemed (other than 2015 Bonds of a Series subject to mandatory sinking fund redemption). If less than all Outstanding 2015 Bonds of the same Series maturing by their terms on any one date are to be redeemed at any one time, the Trustee is required to select the 2015 Bonds of such maturity date to be redeemed by lot and shall promptly notify the Authority in writing of the numbers of the 2015 Bonds so selected for redemption. For purposes of such selection, 2015 Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event 2015 Term Bonds are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption.

Notice of Redemption. Notice of redemption will be mailed by first-class mail by the Trustee, not less than 20 nor more than 60 days prior to the redemption date to the respective Bondholders of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee. Each notice of redemption is required state the date of such notice, the date of issue of the Bonds, the Series, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity date or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Bonds of such maturity, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice is also required also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such redemption.

Conditional Notice of Redemption. The Trustee may give a conditional notice of redemption prior to the receipt of all funds or satisfaction of all conditions necessary to effect the redemption, provided that no redemption shall occur unless and until all conditions have been satisfied and the Trustee has on deposit and available or, if applicable, has received, all of the funds necessary to effect the redemption; otherwise, such redemption is required to be cancelled by the Trustee and the Trustee is required to mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

Cancellation of Notice of Redemption. The Authority may, at its option, on or prior to the date fixed for redemption in any notice of optional redemption, rescind and cancel such notice of redemption by Written Request to the Trustee and the Trustee is required to mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

Effect of Redemption. If notice of redemption has been given as required in the Trust Agreement and money for the payment of the Redemption Price of the 2015 Bonds called for redemption plus accrued interest to the redemption date is held by the Trustee, then on the redemption date designated in such notice the 2015 Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such 2015 Bonds will cease to accrue, and the Bondholders of such 2015 Bonds will have no rights in respect thereof except to receive payment of the Redemption Price thereof plus accrued interest to the Redemption Date.

SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS

General

Pursuant to the Facilities Lease, the Authority leases the Facilities to the County. As rental for the use and occupancy of the Facilities, the County covenants to pay Base Rental Payments to the Authority, which payments are pledged to the Trustee for the benefit of the Owners of the 2015 Bonds. The Base Rental Payments, which are subject to abatement, are calculated to generate sufficient Revenues to pay principal of and interest on the 2015 Bonds when due. See also “–Abatement” and “CERTAIN RISK FACTORS–Abatement.”

The County covenants in the Facilities Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facilities Lease in its annual budgets and to make the necessary annual appropriations therefor. By the third Business Day immediately preceding each Interest Payment Date, the County must pay to the Trustee Base Rental Payments (to the extent required under the Facilities Lease) which scheduled Base Rental Payments are sufficient to pay, when due, the principal of and interest on the 2015 Bonds. **Base Rental Payments are not subject to acceleration.**

Under the Facilities Lease, the County agrees to pay Additional Payments for the payment of all expenses and all costs of the Authority and the Trustee related to the lease of the Facilities, including expenses of the Trustee payable by the Authority under the Trust Agreement, and fees of accountants, attorneys and consultants. The County is responsible for repair and maintenance of each of the related Facilities during the term of the Facilities Lease.

The Base Rental Payments will be abated proportionately during any period in which by reason of any damage to or destruction (other than by condemnation), there is substantial interference with the use and occupancy of such Facilities by the County, in the proportion in which the cost of that portion of the Facilities rendered unusable bears to the cost of the whole of the Facilities. During any such period of abatement, except to the extent that proceeds of insurance or amounts held by the Trustee in the Revenue Fund or the Reserve Fund are otherwise available to pay the related Series of 2015 Bonds, Base Rental Payments from the County will not be available to pay the related Series of 2015 Bonds. See “–Abatement.”

If the whole of a Facility under a Facilities Lease or so much thereof as to render the remainder unusable is taken under power of eminent domain, the term of the Facilities Lease will cease as of the day possession is so taken. If less than the whole of the related Facilities under a Facilities Lease is taken by

eminent domain, there will be a partial abatement of the rental due under the Facilities Lease in an amount equivalent to the amount by which the annual payments of principal of and interest on the related Series of 2015 Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of the related Series of 2015 Bonds Outstanding.

If the County defaults under a Facilities Lease, the Authority may (i) terminate the Facilities Lease and take possession of the Facility for the term of such Site Lease or (ii) retain the Facilities Lease and seek to hold the County liable for all Base Rental Payments and Additional Payments thereunder (without acceleration) as they become due on an annual basis. See APPENDIX E–“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–FACILITIES LEASE–Defaults and Remedies.” Base Rental Payments and Additional Payments may not be accelerated. See “CERTAIN RISK FACTORS.”

Pledge of Revenues

The Revenues consist primarily of the Base Rental Payments made by the County to the Authority under the Facilities Lease. In accordance with the Trust Agreement, all Revenues are irrevocably pledged and assigned by the Authority to the payment of interest and premium, if any, on and principal of the 2015 Bonds and will not be used for any other purpose while any of the 2015 Bonds remain Outstanding; *provided, however*, that out of the Revenues there may be applied such sums as are permitted under the Trust Agreement. This pledge constitutes a first lien on the Revenues in accordance with the terms of the Trust Agreement.

Pursuant to the Facilities Lease, the Authority has directed the County to pay all Base Rental Payments directly to the Trustee to be held in trust in the Revenue Fund established under the Trust Agreement (the “Revenue Fund”) for the benefit of the Bondholders. The County covenants under the Facilities Lease that as long as the related Facilities are available for the County’s use and occupancy, it will take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facilities Lease in its annual budgets and to make the necessary annual appropriations therefor.

Base Rental Payments

Base Rental Payments are calculated on an annual basis for twelve-month periods commencing on June 1 and ending on May 31, and each annual Base Rental Payment is divided into two interest components, due on June 1 and December 1, and one principal component, due on June 1. Each Base Rental Payment with respect to the 2015 Bonds will be payable by the County to the Authority on the third Business Day immediately preceding its due date. The interest components of the Base Rental Payments shall be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the County hereunder, computed on the basis of a 360-day year composed of twelve 30-day months. Each annual payment of Base Rental (to be payable in installments as aforesaid) shall be for the use of the Facilities.

Pursuant to the Facilities Lease, the County is required to make all Base Rental Payments to the Trustee for deposit in the interest or principal accounts established for the 2015 Bonds within the Revenue Fund (the “Interest Account” and the “Principal Account” together, the “Principal Accounts”). In accordance with the Trust Agreement, the Trustee will transfer such amounts as are necessary to the related Interest Account or the related Principal Account, as the case may be, to pay principal of and interest on the 2015 Bonds as the same become due and payable. On each Principal Payment Date, following the payment of principal of and interest on the 2015 Bonds, any excess amount in the Revenue Fund will be transferred to Reserve Fund, to the extent necessary to increase the amount on deposit

therein to the related Reserve Fund Requirement or to pay any related Reserve Facility costs then due and owing, and thereafter returned to the County as an excess payment of Base Rental Payments.

Upon the expiration of the term of the Facilities Lease with respect to a particular Facility pursuant to the Facilities Lease, the respective Facility will be released from the Facilities Lease without compliance with the release requirements set forth in the Facilities Lease. See also “–Addition; Substitution, and Release of Property.”

The County represents that it has not failed to include Base Rental Payments in its annual budgets.

See APPENDIX E–“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–TRUST AGREEMENT–Revenue Fund.”

Flow of Funds

All Revenues and all other amounts pledged under the Trust Agreement when and as received are required to be transferred by the Authority to the Trustee for deposit in the Revenue Fund.

All money in the Revenue Fund is required to be set aside by the Trustee in the following respective special accounts or funds within the Revenue Fund in the following order of priority:

First: Interest Account - On or before each Interest Payment Date, the Trustee is required to set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding 2015 Bonds on such Interest Payment Date, and

Second: Principal Account - On or before each June 1, commencing June 1, 2016, the Trustee is required to set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such June 1 into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such June 1.

On or before each Redemption Date, the Trustee is required to set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the Redemption Price required to be paid on such Redemption Date.

THE 2015 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR THE COUNTY OR ANY OF THEIR INCOME OR RECEIPTS, EXCEPT THE REVENUES (AS DESCRIBED HEREIN). NEITHER THE FULL FAITH NOR THE CREDIT OF THE AUTHORITY OR THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE 2015 BONDS. NEITHER THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2015 BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS UNDER THE FACILITIES LEASE CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY, THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISION FOR WHICH EITHER ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL

OR STATUTORY LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

Reserve Fund

The Trust Agreement requires that the Reserve Fund for the 2015 Bonds is funded in an amount equal to the related Reserve Fund Requirement. The Reserve Fund Requirement is defined in the Trust Agreement to mean, with respect to all Outstanding 2015 Bonds, an amount equal to the lesser of: (i) the maximum annual debt service attributable to the Outstanding 2015 Bonds, (ii) 125% of average annual debt service attributable to the Outstanding 2015 Bonds, and (iii) 10% of the proceeds of the 2015 Bonds. The Trust Agreement permits the Reserve Fund to be funded with cash, permitted investments, a surety bond, an insurance policy, or a letter of credit, or any combination thereof, as described therein.

The Reserve Fund Requirement for the 2015 Bonds will be equal to \$_____. The County will use a portion of the proceeds of the 2015 Bonds to purchase a surety bond policy in the amount of the Reserve Fund Requirement.

Moneys in the Reserve Fund are required to be used and withdrawn by the Trustee solely for the purposes of paying principal of and interest on the 2015 Bonds when such principal and interest are due if insufficient moneys for the payment thereof are on deposit in the Principal Account and the Interest Account or (together with any other moneys available therefor) for the payment of principal and interest on all such 2015 Bonds then Outstanding when due whether upon maturity or earlier redemption or, for the payment of the final principal and interest payment of all such 2015 Bonds that are Outstanding.

So long as the Authority is not in default under the Trust Agreement, any cash amounts in the Reserve Fund in excess of the Reserve Fund Requirement is required to be withdrawn from the Reserve Fund and transferred to the Revenue Fund on each Interest Payment Date, following the payment of any amounts due on such date.

Insurance

Fire and Extended Coverage Insurance. The Facilities Lease requires the County to procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facilities Lease, insurance against loss or damage to any structures constituting any part of the Facilities by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance and earthquake insurance, if available on the open market from reputable insurance companies. Said extended coverage insurance is required to, as nearly as practicable, cover loss or damage by explosion, windstorm, flood, riot and riot attending a strike, aircraft, vehicle damage, hail, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Facilities, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to deductible clauses for any one loss of not to exceed \$250,000 or comparable amount adjusted for inflation or more in the case of earthquake insurance), or, in the alternative, be in an amount and in a form sufficient (together with moneys held under the Trust Agreement), in the event of total or partial loss, to enable the County to prepay all or any part of the Base Rental Payments then unpaid, pursuant to the Facilities Lease and to redeem outstanding 2015 Bonds.

In the event of any damage to or destruction of any part of the Facilities, caused by the perils covered by such insurance, the Authority is required to cause the proceeds of such insurance to be used for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities, and the Trustee is required to hold said proceeds separate and apart from all other funds, in a special fund to be

designated the "Insurance and Condemnation Fund," to the end that such proceeds are required to be applied to the repair, reconstruction or replacement of the Facilities to at least the same good order, repair and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee is required to permit withdrawals of said proceeds from time to time upon receiving the Written Request of the Authority, stating that the Authority has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred. Any balance of said proceeds not required for such repair, reconstruction or replacement is required to be treated by the Trustee as Base Rental Payments and deposited into the Revenue Fund applied in the manner provided, however, that if the insurance proceeds were paid to cover damage to property of the County that does not constitute part of the Facilities, including, but not limited to furniture and office equipment, then such proceeds are required to be paid to the County. Alternatively, the Authority, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to redeem an aggregate principal amount of outstanding 2015 Bonds, equal to the amount of Base Rental attributable to the portion of the Facilities so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Facilities bears to the cost of the Facilities), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and cause said proceeds to be used for the redemption of outstanding 2015 Bonds pursuant to the provisions of the Trust Agreement.

The Authority and the County covenant to promptly apply for Federal disaster aid or State disaster aid in the event that the Facilities are damaged or destroyed as a result of an earthquake occurring at any time. Any proceeds received as a result of such disaster aid are required to be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Facilities, or, at the option of the County and the Authority, to enable the County to prepay all or any part of the Base Rental Payments then unpaid, pursuant to the Facilities Lease, and to redeem outstanding 2015 Bonds if such use of such disaster aid is permitted.

As an alternative to providing the fire and extended coverage insurance, or any portion thereof, the County may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection affords reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the County. So long as such method or plan is being provided to satisfy the requirements of the Facilities Lease, there is required to be filed annually with the Trustee a statement of an actuary, insurance consultant or other qualified person (which may be the Risk Manager of the County), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facilities Lease and, when effective, would afford reasonable coverage for the risks required to be insured against. A Certificate of the County setting forth the details of such substitute method or plan is also required to be filed with the Trustee. In the event of loss covered by any such self-insurance method, the liability of the County will be limited to the amounts in the self-insurance reserve fund or funds created under such method.

Liability Insurance. The Facilities Lease requires the County to procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facilities Lease, a standard comprehensive general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Facilities, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$200,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a

single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the County.

As an alternative to providing the standard comprehensive general liability insurance required by the Facilities Lease, or any portion thereof, the County may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection affords reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the County. So long as such method or plan is being provided to satisfy the requirements of the Facilities Lease, there is required to be filed annually with the Trustee a statement of an actuary, independent insurance consultant or other qualified person (which may be the Risk Manager of the County), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facilities Lease and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby. A Certificate of the County setting forth the details of such substitute method or plan is also required to be filed with the Trustee.

Rental Interruption or Use and Occupancy Insurance. The Facilities Lease requires the County to procure or cause to be procured and maintain or cause to be maintained, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Facilities as the result of any of the hazards covered by the insurance required by the Facilities Lease (provided with respect to earthquake insurance, only if available on the open market from reputable insurance companies at a reasonable cost, as determined by the County), in an amount sufficient to pay the part of the total rent hereunder attributable to the portion of the Facilities rendered unusable (determined by reference to the proportion which the cost of such portion bears to the cost of the Facilities) for a period of at least two years, except that such insurance may be subject to a deductible clause of not to exceed \$250,000 or a comparable amount adjusted for inflation (or more in the case of earthquake coverage), and with the additional exception that with respect to coverage for terrorism related loss, the period may be only one year, provided that the County use its best efforts to obtain such coverage for a period of at least two years assuming it is available on the open market from reputable insurance companies at a reasonable cost, as determined by the County. Any proceeds of such insurance is required to be used by the Trustee to reimburse to the County any rental paid by the County under the Facilities Lease attributable to such structure for a period of time during which the payment of Base Rental under the Facilities Lease is abated, and any proceeds of such insurance not so used is required to be applied as provided in the Facilities Lease (to the extent required for the payment of Base Rental and Additional Payments) and any remainder is required to be treated as Revenue under the Trust Agreement. The County may *not* self-insure for rental interruption insurance.

Worker's Compensation Insurance. The County is also required to maintain worker's compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Worker's Compensation Insurance and Safety Act now in force in the State, or any act hereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance may be maintained by the County in the form of self-insurance.

Title Insurance. The County is also required to obtain, for the benefit of the Authority, title insurance on the Facilities, in an amount equal to the aggregate principal amount of the 2015 Bonds, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances.

For a description of insurance and self-insurance programs of the County, see APPENDIX B–“COUNTY FINANCIAL INFORMATION–Insurance and Self-Insurance Programs.”

Additional Bonds

The Authority may only issue additional bonds under the Trust Agreement (“Additional Bonds”) secured on a parity with the 2015 Bonds for the sole purpose of acquiring (by purchase or lease) or constructing facilities to be added to the Facilities or for the refunding of Outstanding Bonds. APPENDIX E–“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–TRUST AGREEMENT–Conditions for the Issuance of Additional Bonds.”

Addition; Substitution and Release of Property

The County and the Authority may add, substitute or release real property as part of the Facilities, but only after the County files with the Authority and the Trustee, with written notice to each rating agency then providing a rating for the 2015 Bonds, all of the following:

(i) Executed copies of the Facilities Lease or amendments thereto containing the amended description of the Facilities.

(ii) A Certificate of the County with copies of the Facilities Lease or the Site Lease, if needed or amendments thereto containing the amended description of the Facilities stating that such documents have been duly recorded in the official records of the County Recorder of the County.

(iii) A Certificate of the County, supported by expert knowledge (which may be that of the Real Estate Manager of the County) or construction cost information evidencing that the fair market value or the insured value of the Facilities that will constitute the Facilities after such addition, substitution or release will be at least equal to the aggregate outstanding principal amount of the Base Rental Payments after such addition, substitution or release and that the annual fair rental value of the Facilities after such addition, substitution, or release will be at least equal to the maximum annual Base Rental Payments coming due and payable under the Facilities Lease, and that the useful life of such Facilities will at least extend to the final Base Rental Payment date.

(iv) In connection with any addition or substitution of property, a leasehold owner’s title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies resulting in title insurance with respect to the Facilities after such addition or substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding at the time of such addition or substitution.

(v) A Certificate of the County stating that (i) such addition, substitution or release does not adversely affect the County’s use and occupancy of such Facilities (as such term will be defined following the addition, substitution or release), and (ii) no event of default under the Facilities Lease has occurred and is continuing.

(vi) In connection with any substitution or release of property, a Certificate of the County stating that the substitution or release will not cause the County to violate its covenants, representations and warranties under the Facilities Lease.

(vii) In connection with any substitution of property, a Certificate of the County stating that the Facility to be added is of approximately the same or greater degree of essentiality to the County as the Facility being replaced.

(viii) An Opinion of Bond Counsel stating that such amendment or modification (A) complies with the terms of the Constitution and laws of the State and of the Trust Agreement; (B) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the County; and (C) if the Series of 2015 Bonds Outstanding with respect thereto were issued on a tax-exempt basis, will not cause the interest on such Series of 2015 Bonds to be included in gross income for federal income tax purposes.

There is no requirement under the Facilities Lease that any substitute Facilities be of the same or a similar nature or function as the then-existing Facilities.

Option to Purchase

Pursuant to the Facilities Lease, the County has the option to purchase the interest of the Authority in any part of the Facilities upon payment of an option price consisting of moneys or securities satisfying the requirements specified in the Trust Agreement (and which securities are not callable by the issuer thereof prior to maturity) in an amount sufficient (together with the increment, earnings and interest on such securities) to provide funds to pay the aggregate amount for the entire remaining term of the Facilities Lease of the part of the total rent thereunder attributable to such part of the Facilities (determined by reference to the proportion which the cost of such part of the Facilities bears to the cost of all of the Facilities).

Payment of the option price is required to be made to the Trustee, will be treated as rental payments and is required to be applied by the Trustee to pay the principal of the Series of 2015 Bonds and interest on such 2015 Bonds and to redeem 2015 Bonds if such 2015 Bonds are subject to redemption pursuant to the terms of the Trust Agreement.

Sale of Personal Property

The County, in its discretion, may request the Authority to sell or exchange any personal property which may at any time constitute a part of the Facilities, and to release said personal property from the Facilities Lease, if (i) in the opinion of the County the property so sold or exchanged is no longer required or useful in connection with the operation of the Facilities, (ii) the consideration to be received from the property is of a value substantially equal to the value of the property to be released, and (iii) if the value of any such property is, in the opinion of the Authority, exceeds the amount of \$100,000, the Authority is required to have been furnished with a certificate of an independent engineer or other qualified independent professional consultant (satisfactory to the Authority) certifying the value thereof and further certifying that such property is no longer required or useful in connection with the operation of the Facilities. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released is required to be paid to the Authority. Any money so paid to the Authority may, so long as the County is not in default under any of the provisions of the Facilities Lease, be used upon the Written Request of the County to purchase personal property, which property shall become a part of the Facilities leased under the Facilities Lease.

Abatement

Base Rental Payments and Additional Payments will be abated proportionately, during any period in which by reason of any damage or destruction (other than by condemnation) there is substantial

interference with the use and occupancy of the Facilities by the County, in the proportion in which the cost of that portion of the Facilities rendered unusable bears to the cost of the whole of the Facilities. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facilities Lease will continue in full force and effect and the County waives any right to terminate the Facilities Lease by virtue of any such damage or destruction.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule relating to the Bonds.

Table 3
Debt Service Schedule

	<u>2015 Series A Bonds</u>			<u>2015 Series B Bonds</u>			
Fiscal Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	Total Fiscal Year Debt Service

CERTAIN RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the 2015 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations, which may be relevant to investing in the 2015 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limited Obligation

The 2015 Bonds are not County debt and are limited obligations of the Authority. Neither the full faith and credit of the Authority nor the County is pledged for the payment of the interest on or principal of the 2015 Bonds nor for the payment of Base Rental Payments. The Authority has no taxing power. The obligation of the County to pay Base Rental Payments when due is an obligation payable from amounts in the General Fund of the County. The obligation of the County to make Base Rental Payments under the Facilities Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the 2015 Bonds nor the obligation of the County to make Base Rental Payments under the Facilities Lease constitute a debt or indebtedness of the Authority, the County, the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restrictions.

Base Rental Payments Not a Debt of the County; Other County Obligations

The Base Rental Payments due under the Facilities Lease (and insurance costs, payment of costs of repair and maintenance of the Facilities, taxes and other governmental charges and assessments levied against the Facilities) are not secured by any pledge of taxes or any other revenues of the County but are payable from any funds lawfully available to the County. The County may incur other obligations in the future payable from the same sources as the Base Rental Payments. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other municipal services before making Base Rental Payments. The same result could occur if, because of State constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. The County's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the County's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Article XIII B of the California Constitution."

Valid and Binding Covenant to Budget and Appropriate

Pursuant to the Facilities Lease, the County covenants to take such action as may be necessary to include the related Base Rental Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon issuance of the 2015 Bonds, Bond Counsel will render its opinion (substantially in the form of APPENDIX F—"PROPOSED FORM OF BOND COUNSEL OPINION") to the effect that, subject to the limitations and qualifications described therein, the Facilities Lease constitutes a valid and binding obligation of the County. As to the Authority's practical realization of remedies upon default by the County, see "—Limitations on Remedies."

Abatement

During any period there is loss or substantial interference in the use and occupancy of a Facility by the County caused by damage or destruction (other than by condemnation) Base Rental Payments will be abated proportionately in the proportion in which the cost of that portion of the Facilities rendered unusable bears to the cost of the whole Facilities, the related Base Rental Payments are subject to abatement. In the event that any Facility or any component thereof, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the County's rental interruption insurance will be available in lieu of Base Rental Payments plus the period for which funds are available from the Reserve Fund or the Revenue Fund, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair, reconstruction or replacement of the Facilities or redemption of the related Series of 2015 Bonds, there could be insufficient funds to make payments to Owners of the related Series of 2015 Bonds in full. See APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—FACILITIES LEASE—Rental Abatement."

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. It may be that the fair rental value of a Facility could be substantially higher or lower than its value at the time of issuance of the related Series of 2015 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the 2015 Bonds.

Bankruptcy

The rights and obligations of the County and the Authority under the 2015 Bonds, the Facilities Lease, the Site Lease, the Trust Agreement, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and counties in the State.

The County is a political subdivision of the State permitted, under certain circumstances, to file for municipal bankruptcy under chapter 9 ("Chapter 9") of the United States Bankruptcy Code (the "Bankruptcy Code"). Chapter 9 permits only a voluntary filing by the County, not involuntary filings.

Among the adverse effects of such a bankruptcy might be: (a) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County; (b) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (c) the occurrence of unsecured or court-approved secured debt which may be secured by a lien with priority over the lien of the Trust Agreement or the release of Revenues to the County, free and clear of the lien of the Trust Agreement, in each case provided that the bankruptcy court determines that the rights of the Trustee and the Holders of the 2015 Bonds will be adequately protected; or (d) the possibility of the adoption of a plan for the adjustment of a county's debt without the consent of all creditors, which plan may restructure, delay, compromise or reduce the amount of the claim of the Holders of the 2015 Bonds if the bankruptcy court finds that such a plan is fair and equitable. The County may also be able, without the consent and over the objection of the Trustee and the Holders of the 2015 Bonds, to alter the priority, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Trust Agreement and the 2015 Bonds, provided that the bankruptcy court determines that the alterations are fair and equitable.

Such adverse effects may result in the parties (including the Holders of the 2015 Bonds) being prohibited from taking any action to collect any amount from the County or to enforce any obligation of the County, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the 2015 Bonds from funds in the Trustee's possession. There may also be delays in payments on the 2015 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the County that could result in delays or reductions in payments on the 2015 Bonds, or result in losses to the Holders of the 2015 Bonds. Regardless of any specific adverse determinations in a County bankruptcy proceeding, the fact of a County bankruptcy proceeding could have an adverse effect on the liquidity and value of the 2015 Bonds.

A bankruptcy filing by the County could also limit remedies under the Facilities Lease or permit the County to assign the Facilities Lease to a third party without complying with any relevant provisions of the transaction documents. Among other limitations, a debtor in bankruptcy may choose to assume or reject executory contracts and leases. It is not clear whether a bankruptcy court would treat the Facilities Lease as an unexpired lease or executory contract (defined below) under Section 365 ("Section 365") of the Bankruptcy Code (a "True Lease") or a loan or other financing arrangement (a "Financing Arrangement"). The Bankruptcy Code specifies different consequences for True Leases and Financing Arrangements. Were a bankruptcy court to find that the Facilities Lease is a True Lease, the Bankruptcy Code permits the County to reject the Facilities Lease and return possession of the Facilities to the lessor, leaving the Trustee, on behalf of Holders of the 2015 Bonds, with a general, unsecured claim that would likely be limited by the cap on landlord claims provided in the Bankruptcy Code, *i.e.*, to the rent payable under the Facilities Lease (without acceleration) for the greater of one year or 15% of the remaining term of the Facilities Lease, but not to exceed three years, following the earlier of (a) the date the bankruptcy petition was filed, and (b) the date on which the Authority repossessed or the County surrendered the leased property, plus any unpaid rentals under the Facilities Lease (without acceleration) on the earlier of such dates. Thus, if the Facilities Lease is treated as a True Lease under Section 365 and rejected in a County bankruptcy, any damage claim could be severely limited, resulting in reduced funds available to pay the 2015 Bonds. On the other hand, if a bankruptcy court found that the Facilities Lease was a Financing Arrangement, the Trustee, on behalf of Holders of the 2015 Bonds, may have a secured claim only up to the value of the economic value of the secured interest in the Facilities. Such value would be subject to determination by the bankruptcy court. Any portion of the claim of the Trustee, on behalf of the Holders of the 2015 Bonds that exceeded such value would likely be treated as unsecured.

Pension Issues in Bankruptcy. In a bankruptcy of the County, if a material unpaid liability is owed to the Contra Costa County Employees' Retirement Association ("CCCERA") or any other pension system (collectively the "Pension Systems") on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the County's ability to make Base Rental Payments or other Lease Payments. Given that municipal pension systems in the State are usually administered pursuant to State constitutional provisions and, as applicable, other state, county and/or city law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a County bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a County bankruptcy would rule on these matters. Issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) have recently been or are presently the subject of litigation in the Chapter 9 cases and related appeals of, including those of Stockton, California and San Bernardino, California.

Limited Recourse on Default; No Acceleration of Base Rental Payments

The enforcement of remedies provided in the Facilities Lease and the Trust Agreement could be both expensive and time consuming. The Trustee has no interest in the Authority's title to any of the Facilities, and has no right to terminate the Facilities Lease or reenter or relet the Facilities. Upon the occurrence of one of the "events of default" described below, the County will be deemed to be in default under the Facilities Lease and the Authority may exercise any and all remedies available pursuant to law or granted pursuant to the Facilities Lease. Upon any such default, including a failure to pay Base Rental Payments, the Authority may either (1) terminate the Facilities Lease and seek to recover certain damages or (2) without terminating the Facilities Lease, (i) continue to collect rent from the County on an annual basis by seeking a separate judgment each year for that year's related defaulted Base Rental Payments and/or (ii) reenter the related Facilities and relet them. In the event of default, there is no right to accelerate the total Base Rental Payments due over the term of the Facilities Lease, and the Trustee has no possessory interest in the Facility and is not empowered to sell the Facilities or any of the Facilities.

Events of default under the Facilities Lease include: (i) the failure of the County to pay any rental payment under the Facilities Lease when the same become due (ii) the failure of the County to keep, observe or perform any term, covenant or condition of the Facilities Lease required to be kept or performed by the County for a period of 60 days after notice of the same has been given to the County by the Authority or the Trustee or for such additional time as reasonably required in the sole discretion of the Authority, to correct the same and (iii) assignment or transfer of the County's interest in the Facilities Lease, either voluntarily or by operation of law or otherwise, without the written consent of the Authority; (iv) the County or any assignee files any petition or institutes any proceeding under any act or acts, State or federal, dealing with or relating to the subject or subjects of the bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay the debts of the County or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the debts of the County, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the County, or if a receiver of the business or of the property or assets of the County is appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the County makes a general or any assignment for the benefit of the County's creditors, (v) the County abandons or vacates the related Facilities, or (vi) any representation or warranty made by the County in the Facilities Lease proves to have been false, incorrect, misleading or breached in any material respect on the date when made.

Upon a default, the Trustee may elect to proceed against the County to recover damages pursuant to the Facilities Lease. Any suit for money damages would be subject to statutory and judicial limitations on lessors' remedies under real property leases, other terms of the Facilities Lease and limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Limitations on Remedies

The rights of the Bondholders are subject to the limitations on legal remedies against counties in the State, including applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the County, there are no involuntary petitions in bankruptcy. If the County were to file a petition under Chapter 9 of the Bankruptcy Code, the Bondholders, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Facilities Lease, and from taking any steps to collect amounts due from the County under the Facilities Lease.

All legal opinions with respect to the enforcement of the Facilities Lease and the Trust Agreement will be expressly subject to a qualification that such agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity if equitable remedies are sought.

Military Conflicts and Terrorist Activities

Military conflicts and terrorist activities may adversely impact the finances of the County. The County is unable to determine the effect of future terrorist events, if any, on, among other things, the County's current and future budgets, tax revenues, available reserves and additional public safety expenditures. The County conducted a review of certain existing safety and security measures after the events of September 11, 2001 and participates in additional security and public safety precautions taken in conjunction with "code" designations (*i.e.*, red, orange, yellow) announced by the federal government. Such precautions include coordination of safety and medical personnel, although specific anti-terrorist programs are not divulged publicly. The County does not guarantee that such actions will be adequate in the event that terrorist activities are directed against the County or its residents. The County cannot guarantee that additional safety or security related precautions taken by or affecting the County will not have a material adverse financial impact on the County.

Although, the County maintains various insurance coverages on its properties, including terrorism coverage for real and personal property, the County makes no representation that this insurance coverage will continue to be maintained in the future or as to the ability of any insurer to fulfill its obligations under any insurance policy. See also APPENDIX B—"COUNTY FINANCIAL INFORMATION—Insurance and Self-Insurance Programs."

There are three petroleum refineries located within the County, and during the past five Fiscal Years, the owners of these refineries were among the top 10 principal property taxpayers in the County. A terrorist act against any of these refineries or any principal taxpayer resulting in damage or destruction to facilities or infrastructure could have a material impact on revenues of the County. See also APPENDIX B—"COUNTY FINANCIAL INFORMATION—Largest Property Taxpayers."

Risk of Earthquake and Other Natural Disasters

There are several earthquake faults in the greater San Francisco Bay Area that could result in damage to the Facilities, the 2015 Project, buildings, roads, bridges, and property within the County in the event of an earthquake. Past experiences, including the 1989 Loma Prieta earthquake, measuring 6.9 on the moment magnitude scale (7.1 on the Richter scale) with an epicenter approximately 60 miles south of the County and the 2014 Napa earthquake, measuring 6.0 on the moment magnitude scale with an epicenter approximately 33 miles northwest of the County, resulted in some structural damage to the infrastructure and property in the County, the repair of which was covered by insurance. 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.

The Facilities Lease does not require the County to maintain insurance on the Facilities against earthquake risk unless such insurance is available from a reputable insurance company at a reasonable cost to the County. The County has purchased an earthquake insurance policy that expires on March 31, 2016 to cover all County property, including the Facilities. The County currently expects this insurance will be renewed. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS—Insurance” and APPENDIX B—“COUNTY FINANCIAL INFORMATION—Insurance and Self-Insurance Programs.”

Drought

The State of California is currently in the fourth year of “exceptional drought conditions” (the most severe drought classification) according to the U.S. Drought Monitor. On January 17, 2014, California Governor Edmund G. Brown proclaimed a drought emergency in the State and asked Californians to voluntarily reduce water use by 20%. In addition, eight of the last nine years, including water year 2015 (October 1 through September 30) have been below average runoff, which has resulted in chronic and significant shortages to municipal, industrial, agricultural and wildlife refuge supplies, and historically low groundwater levels.

In April of 2014, the Governor formed a task force to respond to the drought. On April 1, 2015, the Governor signed an Executive Order (the “April 2015 Executive Order”) that, among other measures, requires the State of California Water Resources Control Board (the “SWRCB”) to implement mandatory reduction in cities and towns across the State to reduce water use by 25% as compared to 2013 through February 2016.

The County does not expect that compliance with the April 2015 Executive Order will have a material adverse impact on County finances or on the ability of the County to make Base Rental Payments.

Hazardous Substances

Owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance whether or not the owner (or operator) has or had anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect the operations and finances of the County.

Although the County handles, uses and stores certain hazardous substances, including but not limited to, solvents, paints and certain other chemicals on or near the Facilities, the County knows of no existing hazardous substances which require remedial action on or near the Facilities. However, it is possible that such substances do currently or potentially exist and that the County is not aware of them.

Limited Liability of Authority to the Owners

Except as expressly provided in the Trust Agreement, the Authority will not have any obligation or liability to the Owners of the 2015 Bonds with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Facilities Lease, or with respect to the

performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

State Funding of Counties

The County receives a significant portion of its funding from subventions by the State. In Fiscal Year 2015-16, approximately 22% of the Recommended General Fund Budget is expected to consist of payments from the State. For Fiscal Year 2014-15, approximately 23% of the Recommended General Fund Budget consisted of payments from the State. As a result, decreases in the revenues received by the State can affect subventions made by the State to the County and other counties in the State. The potential impact of State budget actions on the County in particular, and other counties in the State generally, in this and future fiscal years is uncertain at this time but is expected to be materially adverse. For a discussion of the potential impact of State budget actions on the County in particular, and counties in the State generally, see APPENDIX B—"COUNTY FINANCIAL INFORMATION—State Budget Acts."

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the 2015 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance, as a result of acts or omissions of the Authority or the County subsequent to the issuance of the 2015 Bonds in violation of the covenants contained in the Trust Agreement or the Facilities Lease. The Trust Agreement *does not* contain a special redemption provision triggered by the occurrence of an event of taxability. As a result, if interest on the 2015 Bonds were to become includable in gross income for purposes of the federal income tax, the 2015 Bonds would continue to remain outstanding until maturity or unless earlier redeemed pursuant to optional or mandatory redemption.

IRS Examination

The IRS has an ongoing program of examining tax and revenue anticipation notes, other working capital financings and other tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from gross income for federal income tax purposes. It is possible that the 2015 Bonds or other tax-exempt obligations of the County may be selected for examination under such program. There is no assurance that an IRS examination of the 2015 Bonds or other tax-exempt obligations of the County will not adversely affect the market value of the 2015 Bonds. See "TAX MATTERS."

Pension and Other Post-Employment Benefit Liability

Many factors influence the amount of the pension and other post employment benefit liabilities of the County, including, without limitation, inflationary factors, changes in laws, changes in the levels of benefits provided or in the contribution rates of the County, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods (including but not limited to the assumed rate of return), and differences between actual and anticipated investment experience of the plans. Any of these factors could give rise to additional liability of the County as a result of which the County would be obligated to make additional payments in order to fully fund its obligations. See APPENDIX B—"COUNTY FINANCIAL INFORMATION—Pension Plan" and "—Other Post-Employment Benefits."

Changes in Law

Initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. Article XIII A, Article XIII B, Article XIII C, Article XIII D, and Propositions 218, 1A, 22 and 26, were each adopted as measures that qualified for the ballot through the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State and the County to increase revenues or to increase appropriations which may affect the revenues available to make the Base Rental Payments or the ability of the County to expend its revenues. There is no assurance that the electorate or the State Legislature will not at some future time approve additional limitations which could affect the ability of the County to make payments under the Facilities Lease and adversely affect the security for the 2015 Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2015 Bonds or, if a secondary market exists, that any 2015 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 2015 Bonds will not be affected by the introduction or enactment of any future legislation, or changes in interpretation of existing law.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Described below are certain measures which have impacted or may in the future impact the County's General Fund Budget.

Article XIII A of the California Constitution

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A was subsequently amended on several occasions in various respects. Article XIII A limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness and on bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities approved by 55% of the voters voting on the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash" or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster or in the event of certain transfers to children or spouses or of the elderly or disabled to new residences.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years. See APPENDIX B–“COUNTY FINANCIAL INFORMATION–*Ad Valorem* Property Taxes.”

Article XIII B of the California Constitution

On October 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIII B. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living and population. The initial version of Article XIII B provided that the “base year” for establishing an appropriations limit was the 1978-79 fiscal year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91 each appropriations limit must be recalculated using the actual 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitations of a local government under Article XIII B include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State. Article XIII B permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

As amended by Proposition 111, Article XIII B provides for testing of appropriations limits over consecutive two-year periods. If an entity’s revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIII B provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs. Appropriations for “qualified capital outlays” are excluded from the limits of Proposition 111.

The Article XIII B limits for the County for the last two Fiscal Years and estimated for Fiscal Year 2015-16 are set forth below.

<u>Fiscal Year</u>	<u>Article XIII A Limit</u>	<u>Budget Amount</u>
2013-14	\$17,608,851,516	\$316,407,959
2014-15	17,753,244,098	337,859,611
2015-16	18,674,637,467	371,342,066

Source: County Auditor-Controller.

The County has never exceeded its Article XIII B appropriations limit and does not anticipate having any difficulty in operating within the appropriations limit.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of a local agency to levy and collect both existing and future taxes, assessments, fees and charges. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of a local agency require a majority vote and taxes for specific purposes, even if deposited in the general fund, require a two-thirds vote. Further, any general purpose tax which the local agency imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election held prior to November 5, 1998. The voter approval requirements of Article XIII C reduce a local agency’s flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the County will be able to impose, extend or increase taxes in the future to meet increased expenditure requirements. Article XIII D contains several provisions making it generally more difficult for local agencies to levy and maintain “assessments” for municipal services and programs. “Assessment” in this Article is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property.

Article XIII D also contains several provisions affecting a “fee” or “charge,” defined for purposes of Article XIII D to mean “any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) with respect to any parcel or person, exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The local agency must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the local agency may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as “property related” for purposes of Article XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

The County does not believe that it is currently collecting fees, charges or assessments in violation of Article XIII D. The County has two enterprise funds that are self-supporting from fees and charges, which could, depending upon judicial interpretation of Proposition 218, ultimately be determined to be property related for purposes of Article XIII D. In the event that fees and charges cannot be appropriately increased, or are reduced pursuant to exercise of the initiative power (described in the following paragraph), the County may have to decide whether to support any deficiencies in these enterprise funds with moneys from the general fund or to curtail service, or both.

In addition to the provisions described above, Article XIII C also removes prohibitions and limitations on the initiative power in matters of any “local tax, assessment, fee or charge.” Consequently, the voters of the County could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. “Assessment,” “fee” and “charge,” are not defined in Article XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related as described above) would limit the scope of the initiative power set forth in Article XIII C. If the Article XIII D definitions are not held to limit the scope of Article XIII C initiative powers, then the Article XIII C initiative power could potentially apply to revenue sources that currently constitute a substantial portion of general fund revenues. No assurance can be given that the voters of the County will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

Proposition 62

On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other things, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local governmental entity’s legislative body and by a majority vote of the voters voting in an election on the issue, (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the local governmental entity’s legislative body and by a two-thirds vote of the voters voting in an election on the issue, and (iii) that the revenues from a special tax be used for the purposes or for the services for which the special tax was imposed.

On September 28, 1995, the California Supreme Court filed its decision in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the “Santa Clara decision”), which upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a “special tax” as required by Proposition 62. The Santa Clara decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawley*, 59 Cal. App. 4th 1441 (1997), the Court of Appeal, Fourth District, concluded that the Santa Clara decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the Santa Clara decision.

Following the California Supreme Court’s decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association et al. v. City of La Habra*, 25 Cal. 4th 809 (2011). In this case, the court held that the public agency’s continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Proposition 62 as an initiative statute does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since the passage of Proposition 218, however, certain provisions of Proposition 62 (e.g., voter approval of taxes) are governed by the California Constitution. The requirements of Proposition 218 and Proposition 62 are not in complete harmony, and so where they diverge, the local governmental entity must meet both standards. For a discussion of taxes affected by Proposition 218, see "–Article XIII C and Article XIII D of the California Constitution" above. If a court determined that a jurisdiction imposed a tax in violation of Proposition 62, Proposition 62 would require that the portion of the one percent general *ad valorem* property tax levy allocated to that jurisdiction be reduced by \$1 for every \$1 in revenue attributable to the tax for each year that the tax had been collected.

Proposition 1A

The California Constitution and existing statutes give the Legislature authority over property taxes, sales taxes and the vehicle license fee (the "VLF"). The Legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance. The California Constitution generally requires the State to reimburse the local governments when the State mandates a new local program or higher level of service. Due to the ongoing financial difficulties of the State in recent years, it has not provided reimbursements for many mandated costs. In other cases, the State has suspended mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

On November 3, 2004, the voters of the State approved Proposition 1A, which amended the California Constitution to, among other things, reduce the State Legislature's authority over local government revenue sources by placing restrictions on the State's access to local government's property, sales and vehicle license fee revenues. Proposition 1A generally prohibits the shift of property tax revenues from cities, counties and special districts, except to address a "severe state financial hardship," which must be approved by a two-thirds vote of both houses of the Legislature, and only then if, among other things, such amounts were agreed to be repaid with interest within three years. The measure also (a) protects the property tax backfill of sales tax revenues diverted to pay the State's economic recovery bonds, and the reinstatement of the sales tax revenues once such bonds are repaid, and (b) protects local agency vehicle license fee revenue (or a comparable amount of backfill payments from the State).

If the State reduces the VLF rate below its current level of 0.65 percent of the vehicle value, Proposition 1A requires the State to provide local governments with equal replacement revenues. Proposition 1A provides two significant exceptions to the above restrictions regarding sales and property taxes. First, the State may shift to schools and community colleges up to 8 percent of local government property tax revenues if the Governor proclaims that the shift is needed due to a severe State financial hardship, the legislature approves the shift with a two-thirds vote of both houses and certain other conditions are met. The State must repay local governments for the diversion of their property tax revenues, with interest, within three years. Second, Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A amends the California Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. If the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties or special districts to abide by the mandate would be suspended. In addition, Proposition 1A expands the definition of what constitutes a mandate to

encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had complete or partial financial responsibility. This provision does not apply to mandates relating to schools or community colleges, or to those mandates relating to employee rights.

Proposition 1A restricts the State's authority to reallocate local tax revenues to address concerns regarding funding for specific local governments or to restructure local government finance. For example the State could not enact measures that changed how local sales tax revenues are allocated to cities and counties. In addition, measures that reallocated property taxes among local governments in a county would require approval by two-thirds of the members of each house of the legislature (rather than a majority vote). As a result, Proposition 1A could result in fewer changes to local government revenues than otherwise would have been the case.

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. The County is unable to predict how Proposition 22 will be interpreted, or to what extent the measure will affect the revenues in the general fund of local agencies, although it could eventually provide greater stability in local agency revenues.

Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). However, borrowings and reallocations from local governments during 2009 are not subject to Proposition 22 prohibitions. In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing sales taxes or exercise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

Proposition 26

On November 2, 2010, the voters of the State approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIII A and XIII C of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except: (1) a charge imposed for a specific

benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase, rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Article XIII D. Fees, charges and payments that are made pursuant to a voluntary contract that are not “imposed by a local government” are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Future Initiatives

The laws and Constitutional provisions described above were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the County, the County’s ability to expend revenues. Neither the Authority nor the County can anticipate the nature or impact of such measures.

THE AUTHORITY

The Authority is a joint powers authority, organized pursuant to an Amended and Restated Joint Exercise of Powers Agreement, dated as of June 16, 2015 (the “JPA Agreement”), by and between the County and the Contra Costa County Flood Control and the Water Conservation District (the “District”). The JPA Agreement was entered into pursuant to the California Government Code, commencing with Section 6500. The Authority is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of assisting in financing and refinancing projects for the benefit of the County and the District.

The Authority is governed by a five member Board of Directors. The Board of Supervisors of the County constitutes the Board of Directors of the Authority. The Executive Director and Secretary of the Authority is the County Administrator; the Assistant Executive Director of the Authority is the County Public Works Director; the Deputy Executive Directors of the Authority are the Chief Assistant County Administrator and the County Finance Director; the Treasurer of the Authority is the County Auditor-Controller; and the Assistant Secretary of the Authority is the County Finance Director. The Authority’s

powers include, but are not limited to, the power to issue bonds and to sell such bonds to public or private purchasers at public or by negotiated sale. The Authority is entitled to exercise the powers common to its members and necessary to accomplish the purposes for which it was formed. These powers include the power to make and enter into contracts; to employ agents and employees; to acquire, construct, manage, maintain and operate buildings, works or improvements; to acquire, hold or dispose of property within the County; and to incur debts, liabilities or obligations.

THE COUNTY

The County of Contra Costa lies northeast of the San Francisco Bay and is the ninth most populous county in California. The County seat is in the City of Martinez. Major industries in the County include petroleum refining and telecommunications. The General Fund Final Budget for Fiscal Year 2014-15 was approximately \$1.392 billion and for Fiscal Year 2015-16 is approximately \$1.423 billion in the Recommended General Fund Budget.

For certain economic, demographic and financial information with respect to the County, see APPENDIX A—"GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION," APPENDIX B—"COUNTY FINANCIAL INFORMATION" and APPENDIX C—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's, a division of the McGraw-Hill Companies ("S&P") have assigned ratings of "___" and "___," respectively, to the 2015 Bonds.

Certain information was supplied by the Authority and the County to Moody's and S&P to be considered in evaluating the 2015 Bonds. The ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the 2015 Bonds. An explanation of the significance of the ratings may be obtained from Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 and Standard & Poor's, a division of the McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041.

There is no assurance that such ratings will continue for any given period of time or that they will not be reduced or withdrawn entirely by the rating agencies, or either of them, if in their or its, judgment, circumstances so warrant. The Authority, 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 2015 Bonds.

LITIGATION MATTERS

At the time of delivery of and payment for the 2015 Bonds, the County and the Authority will each certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the County or the Authority threatened, against the County or the Authority in any material respect affecting the existence of the County or the Authority or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale or delivery of the 2015 Bonds, the execution of the Trust Agreement, the Facilities Lease, the Site Leases or the payment of Base Rental Payments or challenging, directly or indirectly, the location of the Facilities, or the proceedings to lease the Facilities from the Authority.

Various other legal actions are pending against the County. The aggregate amount of the uninsured liabilities of the County which may result from all legal claims currently pending against it will not, in the opinion of the County, materially affect the County's finances or impair its ability to make Base Rental Payments under the Facilities Lease.

On April 12, 2012, the Retiree Support Group, a mutual benefit non-profit corporation whose members are retired County employees, filed a complaint in federal court alleging that changes to their County health plan were a breach of contract and/or a violation of the State and federal constitutions on the basis that the changes impair vested contractual rights. On July 10, 2012, the initial complaint was dismissed without prejudice. Plaintiffs filed a second amended complaint in December 2012. Effective March 2015, discovery is stayed while the parties engage in mediation to try to amicably resolve their dispute. Currently, the case is set for trial in February 2016.

The County is unable to predict the eventual outcome of this dispute. However, if the plaintiffs prevail it could result in County paying the past and future health care premium costs of the retirees, rather than damages, and attorney's fees. Such amounts, if awarded, could be material.

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth as APPENDIX F hereto.

To the extent the issue price of any maturity of the 2015 Bonds is less than the amount to be paid at maturity of such 2015 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2015 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2015 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2015 Bonds is the first price at which a substantial amount of such maturity of the 2015 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2015 Bonds accrues daily over the term to maturity of such 2015 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2015 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2015 Bonds. Beneficial Owners of the 2015 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2015 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2015 Bonds in the original offering to the public at the first price at which a substantial amount of such 2015 Bonds is sold to the public.

2015 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond

premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2015 Bonds. The Authority and the City have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2015 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2015 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2015 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2015 Bonds may adversely affect the value of, or the tax status of interest on, the 2015 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2015 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2015 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2015 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the 2015 Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2015 Bonds. Prospective purchasers of the 2015 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the City have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2015 Bonds ends with the issuance of the 2015 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the City or

the Beneficial Owners regarding the tax-exempt status of the 2015 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the City and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2015 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2015 Bonds, and may cause the Authority, the City or the Beneficial Owners to incur significant expense.

LEGAL MATTERS

Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, will render an opinion with respect to the validity of the 2015 Bonds. Copies of such approving opinion will be available at the time of delivery of the 2015 Bonds. The form of the legal opinion proposed to be delivered by Bond Counsel is included as APPENDIX F to this Official Statement. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement. Certain legal matters will be passed upon for the County and the Authority by County Counsel, and by Schiff Hardin LLP, San Francisco, California, Disclosure Counsel, and for the Underwriter by Nossaman LLP, Irvine, California. Compensation paid to Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent on the delivery of the 2015 Bonds.

FINANCIAL ADVISOR

The County has retained Montague DeRose and Associates, LLC, Walnut Creek, California as financial advisor (the "Financial Advisor") to the County and the Authority in connection with the issuance of the 2015 Bonds. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or negotiable instruments.

CONTINUING DISCLOSURE

The County will undertake all responsibilities for any continuing disclosure to Owners of the 2015 Bonds as described below.

The County will enter into a Continuing Disclosure Agreement with Digital Assurance Certification, L.L.C., as Dissemination Agent, to be dated the date of delivery of the 2015 Bonds (the "Continuing Disclosure Agreement"), which provides for certain disclosure obligations on the part of the County. Pursuant to the Continuing Disclosure Agreement, the County will covenant for the benefit of Owners and Beneficial Owners of the 2015 Bonds to provide certain financial information and operating data relating to the County by not later than nine months after the end of its fiscal year (which fiscal year currently ends on June 30), commencing with the report for the fiscal year ending June 30, 2015 (the "Annual Report"), and to provide notices of the occurrence of certain specified events (the "Specified Events"). The Annual Report and notices of Specified Events will be filed by the County or the Dissemination Agent, through the Electronic Municipal Market Access site maintained by the MSRB. These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). For a form of the Continuing Disclosure Agreement, see APPENDIX G—"PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT."

During the past five years, in connection with the County of Contra Costa Community Facilities District No. 1991-1 (Pleasant Hill Bart Station Area) 1998 Special Tax Refunding Bonds (the “1998 Bonds”); the County of Contra Costa Public Financing Authority 2001 Revenue Refunding Bonds (Reassessment District of 2001) (the “2001 Bonds”), the County failed on occasion to timely file: (i) with respect to the 1998 Bonds, complete annual reports – in several instances the fund balances in the accounts related to 1998 Bonds was omitted and the total number of occupied units was not included in the annual report on the date it was filed; and (ii) with respect to the 2001 Bonds, the information required to be given the California Debt and Advisory Commission was not included in the annual report on the date it was filed. The County made all required filings by July __, 2015 and has established procedures, including the appointment of Digital Assurance Certification, L.L.C., as Dissemination Agent for *all* County bond transactions and designating the County Administrator, the Director of Conservation and Development, and the County Finance Director, or their written designees as the Disclosure Representative for the County, that the County believes are sufficient to ensure timely future and complete compliance with its continuing disclosure undertakings.

UNDERWRITING

Pursuant to the terms of a Bond Purchase Contract with respect to the 2015 Bonds, dated _____, 2015 (the “Purchase Contract”), by and among the Authority, the County and Piper Jaffray & Co. (the “Underwriter”), the Underwriter will purchase all of the 2015 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 Contract.

The Underwriter may change the initial public offering prices and yields set forth on the inside cover pages of this Official Statement. The Underwriter may offer and sell the 2015 Bonds to certain dealers and others at prices lower or yields higher than the public offering prices and yields set forth on the inside cover pages hereof.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the 2015 Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray.

2015 Series A Bonds

The Underwriter purchased the 2015 Series A Bonds at a price of \$_____ (which represents the principal amount of the 2015 Series A Bonds [less a net original issue discount /plus a net original issue premium] in the amount of \$_____ and less an Underwriter’s discount in the amount of \$_____).

2015 Series B Bonds

The Underwriter purchased the 2015 Series B Bonds at a price of \$_____ (which represents the principal amount of the 2015 Series B Bonds [less a net original issue discount /plus a net original issue premium] in the amount of \$_____ and less an Underwriter’s discount in the amount of \$_____).

VERIFICATION OF MATHEMATICAL COMPUTATIONS FOR THE 2015 SERIES B BONDS

Upon delivery of the 2015 Bonds, Grant Thornton LLP, San Francisco, California (the "Verification Agent"), will deliver a report stating that it has reviewed and confirmed the mathematical accuracy of certain computations relating to the adequacy of the funds and/or securities deposited in the Refunded Bonds Escrow Fund and the interest thereon, if any, to pay, when due, the redemption price and interest on the Refunded Bonds on the specified respective payment or redemption dates thereof.

MISCELLANEOUS INFORMATION

References are made herein to certain documents, reports and laws that are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents, reports and laws for full and complete statements of the contents thereof. Copies of documents referred to herein are available upon written request from the County: 651 Pine Street, 10th Floor, Martinez, California 94553-0663; Attention: Finance Director. The County may impose a charge for copying, mailing and handling.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the County and the purchasers or Owners of any of the 2015 Bonds.

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

COUNTY OF CONTRA COSTA PUBLIC FINANCING AUTHORITY

By: _____
David J. Twa
Executive Director

APPENDIX A

GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

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APPENDIX A

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 7, 2019
Candace Anderson	Supervisor, District 2	January 2, 2017
Mary N. Piepho	Supervisor, District 3	January 2, 2017
Karen Mitchoff	Supervisor, District 4	January 7, 2019
Federal D. Glover	Supervisor, District 5	January 2, 2017
Robert R. Campbell	Auditor-Controller	January 7, 2019
Russell V. Watts	Treasurer-Tax Collector	January 7, 2019
Gus S. Kramer	Assessor	January 7, 2019
Joe Canciamilla	Clerk Recorder	January 7, 2019
Mark A. Peterson	District Attorney-Public Administrator	January 7, 2019
David O. Livingston	Sheriff-Coroner	January 7, 2019

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 in 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 in June 2010 and is the chief accounting officer for the County. Prior to his election to the Office of Auditor-Controller, Mr. Campbell was the Chief Accountant over the property tax division. Mr. Campbell has worked for the County for more than 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 Officers 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 in June 2010. In this capacity he also serves as ex officio member on the Board of Trustees of the Contra Costa County Employees' Retirement Association, representing the County at large. Mr. Watts also serves on the County's Debt Advisory Committee and the OPEB Trust Advisory Group, and is the Plan Administrator for the Public Agencies Post-Retirement Health Care Plan Trust. Mr. Watts is a member of the California Association of County Treasurer-Tax Collectors and serves on both the Executive and Legislative Committees. He is also a member of the Government Finance Officers Association. Mr. Watts has sat on the Contra Costa County Treasury Oversight Committee since 2003. Mr. Watts received his Bachelor of Arts from Brigham Young University and earned his Masters in Public Administration at the University of North Carolina-Chapel Hill. He has worked in tax administration and treasury management since 1994.

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Population

The County is the ninth most populous county in California, with its population reaching approximately 1,102,871 as of January 1, 2015. This represents an increase of approximately 1.3% compared to the County's population as of January 1, 2014. 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 2011.

Table A-1
COUNTY OF CONTRA COSTA
POPULATION⁽¹⁾
(AS OF JANUARY 1)

<u>Incorporated Cities</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽²⁾</u>
Antioch	103,058	103,580	105,076	106,691	108,298
Brentwood	52,027	52,434	53,234	54,824	56,493
Clayton	10,941	10,964	11,079	11,209	11,288
Concord	122,604	122,917	123,787	124,977	126,069
Danville	42,214	42,336	42,683	43,206	43,691
El Cerrito	23,646	23,707	23,885	24,115	24,288
Hercules	24,151	24,204	24,378	24,601	24,775
Lafayette	24,022	24,093	24,289	24,690	25,154
Martinez	36,053	36,130	36,545	36,891	37,384
Moraga	16,075	16,112	16,223	16,363	16,466
Oakley	35,996	36,432	37,218	38,124	38,789
Orinda	17,712	17,769	17,906	18,109	18,612
Pinole	18,459	18,507	18,643	18,813	18,946
Pittsburg	63,733	64,537	65,291	66,479	67,628
Pleasant Hill	33,278	33,349	33,602	33,917	34,162
Richmond	104,388	104,639	105,530	106,388	107,346
San Pablo	28,929	29,025	29,237	24,499	29,730
San Ramon	73,107	74,473	76,266	77,410	78,561
Walnut Creek	64,710	65,071	65,652	66,319	66,868
SUBTOTAL	895,104	900,279	910,524	917,625	934,548
Balance of County	161,202	162,467	163,793	166,594	168,323
TOTAL	1,056,306	1,062,746	1,074,317	1,089,219	1,102,871
California	37,427,946	37,680,593	38,030,609	38,357,121	38,714,725

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

(2) Preliminary.

Source: State of California, Department of Finance, Table 2: E-4 Population Estimates for Cities, Counties and State, 2011-2015 with 2010 Benchmark.

Industry and Employment

As shown below, the County's civilian labor force was 544,900 in 2014. With average 2014 unemployment rates of 6.1% and 7.5% 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 A-2
COUNTY OF CONTRA COSTA
EMPLOYMENT AND UNEMPLOYMENT OF
RESIDENT LABOR FORCE
WAGE AND SALARY EMPLOYMENT BY INDUSTRY
ANNUAL AVERAGES (IN THOUSANDS)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
County Civilian Labor Force ⁽¹⁾	523.8	528.9	535.8	538.9	544.9
Employment	465.5	473.9	487.6	499.1	511.4
Unemployment	58.3	55.0	48.2	39.8	33.5
Unemployment Rate:					
County	11.1%	10.4%	9.0%	7.4%	6.1%
State of California	12.2%	11.7%	10.4%	8.9%	7.5%
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u> [†]
Wage and Salary Employment ⁽²⁾					
Farm	0.7	0.8	0.8	1.0	N/A
Natural Resources and Mining	18.3	17.8	19.7	21.6	N/A
Manufacturing	18.3	17.4	17.4	15.8	N/A
Durable Goods	6.7	6.5	6.8	6.6	N/A
Nondurable Goods	11.6	10.9	10.6	9.1	N/A
Trade, Transportation and Utilities	55.9	56.5	57.4	58.1	N/A
Wholesale Trade	7.6	7.9	8.2	8.6	N/A
Retail Trade	40.4	40.5	41.2	41.0	N/A
Transportation, Warehousing and Utilities	8.0	8.1	8.1	8.5	N/A
Information	9.6	9.0	8.4	8.5	N/A
Financial Activities	25.3	24.8	25.3	25.3	N/A
Professional and Business Services	43.8	45.9	48.0	51.3	N/A
Educational and Health Services	53.0	53.5	55.7	58.7	N/A
Leisure and Hospitality	31.3	32.3	33.5	35.7	N/A
Other Services	11.8	12.4	12.4	12.1	N/A
Government	<u>49.2</u>	<u>47.8</u>	<u>47.9</u>	<u>48.1</u>	N/A
TOTAL ⁽³⁾	391.5	392.1	401.4	410.0	N/A

† Detailed information is not yet available.

(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 2014 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 A-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 A-3
MAJOR EMPLOYERS IN THE EAST BAY
WITH EMPLOYEES IN THE COUNTY
2015

<u>Firm</u>	<u>Primary Location</u>	<u>Product or Service</u>	<u>Estimated No. Employees</u>
University of California, Berkeley	Alameda	Higher Education	23,962
Kaiser Permanente Medical Center [†]	Walnut Creek, Martinez	Healthcare	18,450
Alameda County	Oakland	County Government	9,147
State of California	Countywide	State Government	8,930
County of Contra Costa [†]	Martinez	County Government	8,500
Chevron Corp. [†]	Countywide	Energy, Oil and Gas	6,361
Safeway	Countywide	Supermarkets	6,270
U.S. Postal Service	Countywide	Postal Services	5,948
John Muir Health [†]	Walnut Creek	Health Care	5,857
Wells Fargo & Co.	Countywide	Banking	5,400
PG&E Corp.	Countywide	Gas and Electric Service	4,625
Alta Bates Summit Medical Center, Summit Campus	Oakland	Healthcare	4,471
Lawrence Livermore National Laboratory	Berkeley	Scientific Research	4,200
Lawrence Livermore National Laboratory	Livermore	Scientific Research	4,015
FedEx Corp.	Oakland	Shipping Services	4,000
UPS	Countywide	Shipping Services	3,369
Contra Costa Community College District	Martinez	Community College	3,100
Tesla Motors Inc.	Walnut Creek	Electric Vehicle Maker	3,000
West Contra Costa Unified School District	Richmond	Public Education	2,968
San Ramon Valley Unified School District	Danville	Public Education	2,900

[†] Headquartered in the County.

Sources: San Francisco Business Times, *2015 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 A-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 2009 through 2013 (the most recent annual data available). The County has traditionally had per capita income levels significantly higher than those of the State and the nation.

Table A-4
COUNTY OF CONTRA COSTA
PERSONAL INCOME
CALENDAR YEARS 2009 THROUGH 2013[†]

<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>
2013[†]		
County	69,376	63,403
State	1,856,614	48,434
United States	14,151,427	44,765
2012		
County	67,779	62,860
State	1,805,194	47,505
United States	13,873,161	44,200
2011		
County	62,693	58,816
State	1,685,635	44,749
United States	13,189,935	42,332
2010		
County	58,023	55,118
State	1,578,553	42,282
United States	12,417,659	40,144
2009		
County	56,636	54,568
State	1,537,095	41,587
United States	12,080,223	39,379

[†] Preliminary. Most recent annual data available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, March 2014.

Commercial Activity

Commercial activity comprises an important part of the County's economy, with taxable transactions totaling approximately \$14.5 billion in calendar year 2013, the most recent year for which complete annual data is available. For calendar year 2013, the approximately 3.4% increase in total taxable transactions was due primarily to an increase in nonstore retailers (106.3%); building materials and garden equipment and supplies (11.1%) and motor vehicle and parts dealers (10.5%). Presented in Table A-5 below is a summary of taxable transactions in the County since 2009.

Table A-5
COUNTY OF CONTRA COSTA
TAXABLE TRANSACTIONS⁽¹⁾
CALENDAR YEARS 2009 TO 2013⁽²⁾
(\$ IN 000'S)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013⁽²⁾</u>
Motor Vehicle and Parts Dealers	\$1,184,803	\$1,234,844	\$1,372,234	\$1,650,526	\$1,823,019
Furniture and Home Furnishings Stores	225,331	227,432	240,863	260,102	277,477
Electronics and Appliance Stores	385,742	356,124	357,941	371,588	371,275
Building Materials and Garden Equipment and Supplies	711,475	718,405	739,836	791,073	879,211
Food and Beverage Stores	657,337	673,326	692,641	725,277	748,131
Health and Personal Care Stores	264,279	264,011	277,662	293,030	303,182
Gasoline Stations	1,151,058	1,312,703	1,522,725	1,587,047	1,623,539
Clothing and Clothing Accessories Stores	642,813	663,243	702,573	773,210	825,235
Sporting Goods, Hobby, Book, and Music Stores	314,924	304,491	303,397	302,051	312,720
General Merchandise Stores	1,380,111	1,406,756	1,443,317	1,505,629	1,525,347
Miscellaneous Store Retailers	397,297	382,048	396,831	420,581	427,955
Nonstore Retailers	47,224	46,613	50,078	87,720	180,980
Food Services and Drinking Places	1,111,182	1,126,398	1,200,318	1,294,601	1,378,947
Other Retail Stores	—	—	—	—	—
Total Retail and Food Services	8,473,578	8,716,393	9,300,418	10,062,437	10,677,018
Business and Personal Services	—	—	—	—	—
All Other Outlets	<u>3,409,471</u>	<u>3,237,454</u>	<u>3,499,439</u>	<u>3,934,812</u>	<u>3,794,970</u>
TOTAL ALL OUTLETS	\$11,883,049	\$11,953,846	\$12,799,857	\$13,997,249	\$14,470,988
% CHANGE	(10.7%)	0.6%	7.1%	9.4%	3.4%

(1) Columns do not total due to independent rounding.

(2) Most recent annual data available.

Source: State of California, 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.

See also APPENDIX B—"COUNTY FINANCIAL INFORMATION."

Construction Activity

The value of building permits in the County declined by 30.2% in calendar year 2014 compared to calendar year 2013 levels. The decrease is attributable to declines in building permits issued for the construction of single-family homes and other nonresidential valuation.

The following Table A-6 provides a summary of residential building permit valuations and number of new dwelling units authorized in the County since calendar year 2010.

Table A-6
COUNTY OF CONTRA COSTA
BUILDING PERMIT VALUATIONS
CALENDAR YEARS 2010 THROUGH 2014
(\$ IN THOUSANDS)

	Residential							
	Single Family		Multifamily		Alterations and	Total	Nonresidential	
Year	Units	Valuation	Units	Valuation	Additions	Residential	Valuation	Total [†]
2010	809	\$237,458	890	\$106,555	\$209,044	\$553,058	\$285,417	\$838,475
2011	718	211,418	355	47,305	197,448	456,171	290,629	746,800
2012	1,188	340,256	949	54,885	179,472	574,612	214,603	789,215
2013	1,585	469,376	370	62,800	195,787	727,964	394,088	1,122,052
2014	1,439	402,109	588	82,009	256,618	740,736	42,529	783,265

[†] 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 11,000 new homes in the County. The development is being constructed in nine phases. Construction of the final phase of development has commenced and is expected to be completed in 2020. All phases of the development plan for Dougherty Valley have been approved by the County. To date, approximately 8,900 homes have been constructed, as well as the 2,600 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 2014-15 academic year, approximately 2,330 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 with 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 completed the widening of Interstate 80 in the western portion of the County in fall 2011. Caltrans completed construction of the Alfred Zampa Memorial span across the Carquinez Strait on Interstate Highway 80 in November 2003; 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; and the realignment of the original Benicia-Martinez Bridge for four lanes of southbound traffic and a separated two-way bicycle and pedestrian path 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, including the Oakland International Airport, 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 five City owned terminals, five dry docks and 10 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 Utility 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). As a result of dismal rain levels and melted snowpack, storage in all EBMUD reservoirs combined is expected to be at one-third of capacity by October 1, 2015, the start of the water year. Only in 1977 did EBMUD see lower reservoir storage levels. EBMUD expanded its emergency drought measures, declared a Stage 4 (critical) drought, and set a community-wide goal to reduce water use by 20% compared to 2013. To achieve these savings, EBMUD adopted new water use rules that affect all customers. In addition, EBMUD expects to supplement normal water supplies with purchased water from additional sources and enforcement of water use restrictions.

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 2012, construction to expand the Los Vaqueros Reservoir to a capacity of up to 160,000 acre-feet was completed.

In February 2015, CCWD implemented a voluntary drought program that requested customers to reduce use by 15%. To comply with the Governor’s April 2015 Executive Order, the CCWD Board of Directors set a conservation requirement of 25% compared to 2013 usage and adopted new water use prohibitions to comply with Statewide mandates that include limiting outdoor irrigation to two days per week. To encourage customers to meet the 25% reduction the CCWD Board of Directors is considering temporary pricing adjustment for households using more than 200 gallons per day and fines for violating water use prohibitions.

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 “Control 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 Control 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, one independent charter and the County Department of Education. School enrollment for Fiscal Year 2014-15 numbered approximately 174,800 students in public schools and approximately 1,072 in nonpublic, non-sectarian district 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 Richmond, Pleasant Hill and Pittsburg; 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 Rossmoor.

Doctors Medical Center. The 247-bed Doctors Medical Center, located in the western portion of the County with a population of approximately 250,000 (many of whom are low income), was operated by the West Contra Costa Healthcare District (the “Healthcare District”) until Doctors Medical Center was closed on April 21, 2015. Doctors Medical Center provided medical services to the general public and was a critical component of the County Emergency Medical Services system.

Prior to its closure, Doctors Medical Center had been experiencing financial difficulties for many years and in 2006 the Healthcare District filed a voluntary petition for Chapter 9 bankruptcy protection. The bankruptcy reorganization plan was approved in 2008, and the Healthcare District bankruptcy case was concluded in 2010.

Since 2006, the County provided approximately \$35 million in emergency funding to Doctors Medical Center through various property tax transfer agreements with the Healthcare District to assist in keeping Doctors Medical Center open to the public. In return, the Healthcare District authorized allocations of its *ad valorem* property taxes to the County pursuant to various property tax transfer agreements between the County and the Healthcare District.

There are currently two agreements between the County and the Healthcare District regarding the allocation of *ad valorem* property taxes from the Healthcare District to the County, namely: (i) the Amended and Restated Second Agreement for Property Tax Transfer from the West Contra Costa Healthcare District to Contra Costa County, dated July 16, 2013 (the “Second Agreement”); and (ii) the Third Agreement for Property Tax Transfer From West Contra Costa Healthcare District to Contra Costa County, dated July 1, 2014 (the “Third Agreement”, and together with the Second Agreement, the “Transfer Agreements”). The Transfer Agreements operate sequentially. In other words, the parties have agreed that property tax revenues will not be allocated to the County under the Third Agreement, until after all property tax revenues have been allocated to the County under the Second Agreement. The County Auditor-Controller administers the *ad valorem* property tax transfers under the Transfer Agreements.

The total remaining *ad valorem* property taxes to be transferred to the County under the Second Agreement is \$13,277,804. The total amount of *ad valorem* property taxes to be transferred to the County under the Third Agreement is \$8,200,000. The *ad valorem* property taxes are allocated from the Healthcare District to the County at the rate of approximately \$3,000,000 each Fiscal Year. The amount may be higher or lower depending on the change in property values within the tax rate areas of the Healthcare District and actual apportionments.

On December 2, 2014, the Board of Supervisors adopted a resolution authorizing a permanent waiver of up to \$9 million in *ad valorem* property tax transfers to the County pursuant to the Transfer Agreements for Fiscal Years 2015-16, 2016-17 and 2017-18. The permanent waiver would only go into effect if, prior to October 30, 2015, the Healthcare District secured additional funding of at least \$15 million per year for Fiscal Years 2015-16 through 2017-18 for the purpose of supporting a full-service hospital at Doctors Medical Center.

On December 3, 2014, the Healthcare District and the County entered into an amendment to the Second Agreement providing for a one-time temporary suspension of up to \$3 million of the Fiscal Year 2014-15 *ad valorem* property taxes that would otherwise be allocated to the County under the Second Agreement. This amendment authorized the County Auditor-Controller to transmit to the Healthcare District up to \$3 million of the Fiscal Year 2014-15 *ad valorem* property taxes at the time property tax allocations are made. The amendment did not alter the total amount of property taxes that are required to be transferred to the County under the Second Agreement. By April 16, 2015, the County Auditor-Controller apportioned \$3 million in *ad valorem* property taxes to the Healthcare District pursuant to the amendment.

The Health Care District was not able to secure sufficient funding for Doctors Medical Center to satisfy the permanent waiver condition and, as stated previously, the hospital closed. For this reason, the permanent waiver *did not* go into effect. The County will continue to receive allocations of *ad valorem* property pursuant to the Transfer Agreements until the amounts required to be transferred have been paid in full.

As of June 2015, the aggregate amount of *ad valorem* property taxes to be transferred to the County under the Transfer Agreements is \$21,477,804. It is anticipated that the *ad valorem* property tax transfers to the County under the Transfer Agreements will be completed by Fiscal Year 2021-22.

Contra Costa Regional Medical Center. The public hospital in the County is Contra Costa Regional Medical Center (“CCRMC”), a 164-bed facility that the County rebuilt and re-opened to the public in 1998 on the existing campus in Martinez. Since reconstruction of the hospital in 1998, 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. The County reopened the Bay Point Family Health Center in Pittsburg in February 2009, following extensive renovations, including construction of a state-of-the-art children’s dental clinic. The County also operates the approximately 53,000 square foot West County Health Center that opened in 2012 and replaced the former Richmond Health Center.

APPENDIX B

COUNTY FINANCIAL INFORMATION

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APPENDIX B

COUNTY FINANCIAL INFORMATION

Introduction

California counties administer numerous health and social service programs as the administrative agent of the State and pursuant to State law. Many of these programs have been either wholly or partially funded with State revenues which have been subject each year to the State budget and appropriation process. Currently, the County is required to provide health care to all indigents, administer welfare programs, provide justice facilities (courts and jails) and administer the property tax system and real estate recordings. Due to competing program priorities and the lack of available State funds, some of these programs have had reduced State support without a corresponding reduction in program responsibilities for county governments. The result has been that the County has increased its contribution to maintain mandated services while optional local services have been reduced. The Board of Supervisors has responded to this trend in part by instituting measures to improve management, thereby reducing costs while increasing productivity and maintaining services with diminished funding.

The level of intergovernmental revenues that the County received from the State in Fiscal Year 2014-15 and in subsequent Fiscal Years is likely to be affected by the financial condition of the State.

State Budgets

Property tax revenues received by local governments initially declined more than 50% following passage of Proposition 13 in June 1978. Subsequently, the State Legislature enacted measures to provide for the redistribution of the State's General Fund surplus to local agencies, the reallocation of certain State revenues to local agencies and the assumption of the cost of certain governmental functions by the State to assist municipalities to raise revenues.

Approximately 22% of the County's Fiscal Year 2015-16 General Fund Recommended Budget is expected to consist of payments collected by the State and passed-through to the County or collected by the County and allocated to County purposes by State law. For Fiscal Year 2014-15, approximately 23% of the County's General Fund Budget consisted of payments from the State. The financial condition of the State has an impact on the level of these revenues.

To the extent the State should be constrained by its Article XIII B appropriations limit, or its obligation to conform to Proposition 98, or other fiscal considerations, the absolute level, or the rate of growth, of State assistance to local governments may be reduced. Any such reductions in State aid could adversely affect local governments, particularly counties.

State Budget Acts

The level of intergovernmental revenues that the County will receive from the State in Fiscal Year 2015-16 and in subsequent Fiscal Years will be affected by the financial condition of the State. See "CERTAIN RISK FACTORS--State Funding of Counties."

The following information concerning the State Budgets has been obtained from publicly available information on the State Department of Finance, the State Treasurer and the California Legislative Analyst Office websites. The estimates and projections provided below are based upon various assumptions, which may be affected by numerous factors, including future economic conditions in the State and the nation, and there can be no assurance that the estimates will be achieved. For further

information and discussion of factors underlying the State's projections, see the aforementioned websites. The County and Underwriter believe such information to be reliable, however, the County and Underwriter take no responsibility as to the accuracy or completeness thereof and has not independently verified such information.

Information about the State budget and State spending is regularly available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov and at the Electronic Municipal Market Access site maintained by the Municipal Securities Rulemaking Board at www.emma.msrb.org. Information on these websites has not been reviewed or verified by the County, the Underwriter or the Financial Advisor and is not incorporated by reference in this Official Statement.

Fiscal Year 2015-16 State Budget. On June 24, 2015, the Governor approved the budget for 2015-16 (the "Fiscal Year 2015-16 State Budget Act"), which projects Fiscal Year 2014-15 State General Fund revenue of \$116.9 billion (inclusive \$5.6 billion in fund balance from Fiscal Year 2013-14), total expenditures of \$114.5 billion and a year-end surplus of \$2.4 billion, of which \$971 million would be reserved for the liquidation of encumbrances and \$1.4 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2015-16 State Budget Act projects Fiscal Year 2015-16 State General Fund revenues and transfers of \$115.0 billion (inclusive \$2.4 billion in fund balance from Fiscal Year 2014-15), total expenditures of \$115.4 billion and a year-end surplus of \$2.1 billion, of which \$971 million would be reserved for the liquidation of encumbrances and \$1.1 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2015-16 State Budget Act is balanced, pays down debt, and funds the Rainy Day Fund as the first year of Proposition 2 is implemented. In addition, spending for education, health care, In-Home Supportive Service, workforce deployment, drought assistance and the judiciary is increased. The Fiscal Year 2015-16 State Budget Act also establishes the State's first Earned Income Tax Credit to assist the poorest working families and amnesty program to assist may State residents in paying past due court-ordered debt and regain their drivers' licenses.

Features of the Fiscal Year 2015-16 State Budget Act affecting counties in general include, but are not limited to, the following: (i) augmenting the \$1.9 billion appropriated for drought response since 2014 with an additional \$1.8 billion of one-time resources, including funding for County and other local projects; (ii) repayment to local governments of the final mandate reimbursements for activities completed in 2004 or earlier (totaling \$765 million); (iii) assumption of additional Medi-Cal caseloads of 3.7 million individuals and costs of \$16.9 billion related to the implementation of the Affordable Care Act, will be paid from State and federal moneys, including \$40 million in State General Fund moneys to expand the scope of Medi-Cal coverage to qualified low-income immigrants effective May 2016; and (iv) \$270 million in State General Fund moneys to pay for In-Home Supportive Services overtime (assuming an overtime provision is upheld by the court by October 1, 2015) and a one-time State General Fund augmentation of \$226 million in Fiscal Year 2015-16 to restore service hours.

Fiscal Year 2014-15 State Budget. On June 20, 2014, Governor Brown approved the budget for 2014-15 (the "Fiscal Year 2014-15 State Budget Act"), which projects \$108 billion in State general fund revenues, \$7.3 billion more than in Fiscal Year 2013-14. The Fiscal Year 2014-15 State Budget Act was balanced and projected paying down unprecedented amounts of budgetary debt from past years, including paying down deferral of payments to schools by \$5 billion, paying off Economic Recovery Bonds, repaying various special fund loans, and funding \$100 million in mandate claims that have been owed to local governments since 2004. The budgetary deficit is projected to be reduced to below \$5 billion by the end of Fiscal Year 2016-17. The Fiscal Year began with a Fiscal Year 2014-15 State Budget reserve of

\$2 billion dollars, including \$1.6 billion in the State's Budget Stabilization Account, also known as the State's rainy day fund. Temporary revenues provided by the passage of Proposition 30 (Sales and Income Tax Revenue Increase approved by State voters at an election held on November 8, 2011) and spending cuts allowed for continued economic growth in the State. The Fiscal Year 2014-15 State Budget also contained triggers allowing for additional spending, if various revenue benchmarks were exceeded. If revenues surpass certain estimates, then the Fiscal Year 2014-15 State Budget called for more funds to be applied to higher education and to pay down debt.

The Fiscal Year 2014-15 State Budget included a constitutional amendment which was placed before State voters on November 4, 2014 and passed. That measure alters the State's requirements for the Budget Stabilization Account (the State's existing rainy day account). This amendment:

- Requires deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of State general fund tax revenues, and would set the maximum size of the Rainy Day Fund at 10% of State general fund revenues.
- Requires half of each year's deposit for the next 15 years be used for supplemental payments of debt or other long-term liabilities.
- Allows for withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years. The maximum amount that could be withdrawn in the first year of a recession would be limited to half of the Rainy Day Fund's balance.
- Requires that the state provide a multiyear budget forecast to better manage the State's long-term finances.
- Creates a Proposition 98 reserve, known as the "Public School System Stabilization Account," where spikes in funding would be saved for future years. This is intended to smooth school spending and minimize future cuts to education funding.

County Budget Process

The County's Fiscal Year spans from July 1 to June 30; however, the budget development process begins as early as December with the Board of Supervisors setting a Preliminary Budget Schedule for preparation of the upcoming budget.

The County Administrator presents the Board of Supervisors, department heads and the public with an analysis of key issues and budget projections in January, followed by budget instructions, departmental budget submissions, meetings with departments in February and March and presentation of the State Controller's Office required Budget Schedules and Recommended Budget companion document for consideration by the Board of Supervisors in April. Chapter 1, Division 3, Title 3 of the State Government Code, commencing with Section 29000 *et. seq.* (the "County Budget Act") requires that each county adopt a recommended budget no later than June 30 of each year and an adopted (or final) budget no later than October 2 of each year. The adoption of a recommended budget by each June 30 provides counties with spending authority until a final budget is passed. In the County, the State schedules are presented with the recommended budget and companion document, which includes detailed information and narrative regarding the County, including its current and projected financial situation; the programs/services and administrative/program goals of individual departments; and the County Administrator's budgetary recommendations for the upcoming budget year. After public hearings and budget deliberations, the Board of Supervisors adopts the Recommended Budget by May 31 (pursuant to Board of Supervisors Policy). After the State budget is passed (legally due by June 15) and County Fiscal

Year-end closing activities are completed in August, a Final Budget is prepared for consideration by the Board of Supervisors to allow incorporation of any needed adjustments resulting from the State budget. If significant changes to programs or revenues are required based upon the State budget and/or closing activities, public budget hearings regarding the Final Budget may be scheduled.

The practice of the County is to adopt its Final Budget no later than mid-September of each year.

The County Administrator monitors actual expenditures and revenue receipts each month, and mid-year adjustments may be made in order to ensure that the budget remains in balance throughout the Fiscal Year. Annually, the County Administrator's staff prepares a report presented to the Board of Supervisors detailing the activity within each budget category and providing summary information on the status of the budget. Actions that are necessary to ensure a healthy budget status at the end of the Fiscal Year are recommended in the budget status report; other items which have major fiscal impacts are also reviewed. Supplemental appropriations, which are normally financed by unanticipated revenues during the Fiscal Year, and any amendments or transfers of appropriations between summary accounts or departments, must be approved by the Board of Supervisors. Pursuant to adoption of a resolution by the Board of Supervisors, the County Administrator is authorized to approve transfers of appropriations among summary accounts within a department as deemed necessary and appropriate. Accordingly, the legal level of budgetary control by the Board of Supervisors is at the department level. The County's ability to increase its revenues is limited by State laws that prohibit the imposition of fees to raise general revenue, except to recover the cost of regulation or provision of services. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS."

Recent County General Fund Budgets

Set forth in Table B-1 is a description of the County's comparative Final Budgets for Fiscal Years 2012-13 through 2014-15. Base Rental Payments are included in and allocated to individual department budgets. For a summary of the actual audited financial results of the County for Fiscal Year 2009-10 through Fiscal Year 2013-14, see TABLE B-5—"STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FISCAL YEAR 2009-10 THROUGH 2013-14." See also "COMPREHENSIVE FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2014" in APPENDIX C to this Official Statement.

Fiscal Year 2015-16. The County's Fiscal Year 2015-16 budget, adopted by the Board of Supervisors on May 12, 2015 (the "Fiscal Year 2015-16 Adopted Budget"), reflects a General Fund budget of \$1.423 billion, which was approximately 5% or \$70 million higher than the Fiscal Year 2014-15 approved budget. The Fiscal Year 2015-16 Adopted Budget assumes a strong increase in assessed valuation of 6%. On July 1, 2015, the County Assessor announced an increase of 7.53% in Countywide assessed valuation for Fiscal Year 2015-16. Proposition 172 sales tax revenue, a significant source of revenue for public safety departments, was budgeted at \$74.4 million, which was approximately 3% or \$2.2 million higher than the Fiscal Year 2014-15 approved budget.

The Board of Supervisors took the following actions in relation to the Fiscal Year 2015-16 Adopted Budget:

- *April 21, 2015* – The Board of Supervisors held budget hearings regarding the Fiscal Year 2015-16 Budget as proposed by the County Administrator. The Board of Supervisors received public comment and directed the County Administrator to prepare for Board adoption on May 12, 2015, the Fiscal Year 2015-16 County and Special District Budgets, as modified, to incorporate any changes directed by the Board of Supervisors during the public hearings. The Board of Supervisors also formally acknowledged that continuing to build the

County's reserve funds, maintaining an improved credit rating, and maintenance of the County's physical assets remain priorities of the Board of Supervisors over the long term.

In addition, the Board of Supervisors adopted the Fiscal Year 2015-16 State Controller's Recommended Budget Schedules. This action ensures compliance with statute and authorizes expenditure authority for the coming Fiscal Year.

- *May 12, 2015* – The Board of Supervisors requested the Auditor-Controller to adjust Fiscal Year 2014-15 appropriations and revenues by reallocating and balancing budgeted and actual expenditures and revenues as needed for various budget units and special districts, subject to Board of Supervisors approval in September 2015, and authorized the Auditor-Controller to make technical adjustments to the Fiscal Year 2015-16 Recommended Budget when actual amounts are known and return to the Board on September 15, 2015 for adoption of the Budget as Finally Determined.

Fiscal Year 2014-15. The County's Fiscal Year 2014-15 budget, adopted by the Board of Supervisors on May 13, 2014 (the "Fiscal Year 2014-15 Adopted Budget"), reflected a General Fund budget of \$1.353 billion, which was approximately 6% or \$78 million higher than the Fiscal Year 2013-14 approved budget. The Fiscal Year 2014-15 Adopted Budget assumed an increase in assessed valuation of 5%. For Fiscal Year 2014-15, assessed valuation actually increased by approximately 9.1%. Proposition 172 sales tax revenue was budgeted at \$72.2 million, which was approximately 4.5% or \$3.1 million higher than the Fiscal Year 2013-14 approved budget.

The Board of Supervisors took the following actions in relation to the Fiscal Year 2014-15 Adopted Budget:

- *April 22, 2014* – The Board of Supervisors held budget hearings regarding the Fiscal Year 2014-15 Budget as proposed by the County Administrator. The Board received public comment and directed the County Administrator to prepare for Board of Supervisors adoption on May 13, 2014, the Fiscal Year 2014-15 County and Special District Budgets, as modified, to incorporate any changes directed by the Board of Supervisors during the public hearings. The Board of Supervisors also formally acknowledged that due to significant market losses in the Contra Costa County Employees' Retirement Association assets in 2008 and changes to economic and demographic assumptions since that time, retirement expenses were expected to increase in the next few years and that restoration of the County's reserve funds and maintaining the County improved credit rating would remain priorities over the long term.

In addition, the Board of Supervisors adopted the Fiscal Year 2014-15 State Controller's Recommended Budget Schedules. This action ensures compliance with statute and authorizes expenditure authority for the coming Fiscal Year.

- *May 13, 2014* – The Board of Supervisors requested the Auditor-Controller to adjust Fiscal Year 2013-14 appropriations and revenues by reallocating and balancing budgeted and actual expenditures and revenues as needed for various budget units and special districts, subject to Board of Supervisors approval in September 2014, and authorized the Auditor-Controller to make technical adjustments to the FY 2014-15 Recommended Budget when actual amounts are known and return to the Board of Supervisors on September 16, 2014 for adoption of the Budget as Finally Determined.

- *September 16, 2014* – The Board of Supervisors adopted the Fiscal Year 2014-15 Adopted Budget as Finally Determined. The Board of Supervisors also authorized final changes to closeout the Fiscal Year 2013-14 County and Special District budgets and authorized the County Administrator and Auditor-Controller to make technical adjustments to the Fiscal Year 2014-15 County and Special Districts budgets, including increasing appropriations in the amount of \$1.9 million to partially fund the acquisition of a new helicopter for the Sheriff's Office using Fiscal Year 2013-14 fund balance.
- *March 10, 2015* – The Board of Supervisors accepted a mid-year report on the status of the Fiscal Year 2014-15 budget as of December 31, 2014. The report indicated that departmental revenues and expenditures were performing in accordance with expectations and were not projected to exceed the Fiscal Year 2014-15 Adjusted Budget in any major area. For the General Fund, actual expenditures totaled 43.7% of planned spending and actual revenues totaled 37.1% of amounts anticipated for the year. Revenue from State and Federal sources are typically late in being realized because much of it is based on expenditure claims paid in arrears. Normally, departments that rely on State and Federal revenues experience a two to three-month lag in revenue reimbursement. No mid-year budget corrections were recommended for Fiscal Year 2014-15.

Fiscal Year 2013-14. The County's Fiscal Year 2013-14 budget, adopted by the Board of Supervisors on May 15, 2013 (the "Fiscal Year 2013-14 Adopted Budget"), reflected a General Fund budget of \$1.275 billion, which was approximately 4% or \$53 million higher than the Fiscal year 2012-13 approved budget. The Fiscal Year 2013-14 Adopted Budget assumed an increase in assessed valuation of 2%. For Fiscal Year 2013-14 assessed valuation actually increased by approximately 3.45%. Proposition 172 sales tax revenue was budgeted at \$69.1 million, which was approximately 8% or \$5.1 million higher than the Fiscal Year 2012-13 approved budget.

The Board of Supervisors took the following actions in relation to the Fiscal Year 2013-14 Adopted Budget:

- *April 23, 2013* – The Board of Supervisors held budget hearings regarding the Fiscal Year 2013-14 Budget as proposed by the County Administrator. The Board of Supervisors received public comment and directed the County Administrator to prepare for Board adoption on May 14, 2013, the FY 2013-14 County and Special District Budgets, as modified, to incorporate any changes directed by the Board of Supervisors during the public hearings. The Board of Supervisors also formally acknowledged that significant economic issues continued to be a challenge in the effort to finance services and programs which County residents need, or expect will be provided to them by the County, especially in a time of economic downturn. The Board of Supervisors also acknowledged that restoration of the County's reserve funds and an improved credit rating remain priorities over the long term.

In addition, the Board of Supervisors adopted the Fiscal Year 2013-14 State Controller's Recommended Budget Schedules. This action ensures compliance with statute and authorizes expenditure authority for the coming Fiscal Year.

- *May 14, 2013* – The Board of Supervisors requested the Auditor-Controller to adjust Fiscal Year 2012-13 appropriations and revenues by reallocating and balancing budgeted and actual expenditures and revenues as needed for various budget units and special districts, subject to Board approval in September 2013, and authorized the Auditor-Controller to make technical adjustments to the Fiscal Year 2013-14 Recommended Budget when actual amounts are

known and return to the Board on September 17, 2013 for adoption of the Budget as Finally Determined.

- *September 17, 2013* – The Board of Supervisors adopted the Fiscal Year 2013-14 Adopted Budget as finally determined. The Board also authorized final changes to closeout the Fiscal Year 2012-13 County and Special District budgets and authorized the County Administrator and Auditor-Controller to make technical adjustments to the Fiscal Year 2013-14 County and Special Districts budgets. The Board of Supervisors also authorized the Auditor-Controller to transfer \$15 million from the Tax Losses Reserve Fund into the County General Fund for Facility Lifecycle Improvement Projects (FLIP) related to deferred maintenance in the following budgeted denominations: \$5 million for Fiscal Year 2012-13 and \$10 million for Fiscal Year 2013-14.
- *February 25, 2014* – The Board of Supervisors accepted a mid-year report on the status of the Fiscal Year 2013-14 budget as of December 31, 2013. The report indicated that departmental revenues and expenditures were performing in accordance with expectations and were not projected to exceed the Fiscal Year 2013-14 Adjusted Budget in any major area. For the General Fund, actual expenditures totaled 43.0% of planned spending and actual revenues totaled 34.4% of amounts anticipated for the year. Revenue from State and Federal sources are typically late in being realized because much of it is based on expenditure claims paid in arrears. Normally, departments that rely on State and Federal revenues experience a two to three-month lag in revenue reimbursement. No mid-year budget corrections were recommended for Fiscal Year 2013-14. See also “–County Financial Management Policies” for more information.

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A summary of Final General Fund Budgets for Fiscal Years 2012-13 through 2014-15 is presented in Table B-1.

Table B-1
COUNTY OF CONTRA COSTA
GENERAL FUND BUDGET SUMMARY
FOR FISCAL YEARS 2012-13 THROUGH 2014-15
(\$ IN 000'S)

	Final Budget <u>2012-13</u>	Final Budget <u>2013-14</u>	Final Budget <u>2014-15</u>
Requirements			
General Government	\$159,729	\$173,896	\$194,451
Public Protection	367,919	396,510	417,626
Health and Sanitation	272,443	273,861	289,685
Public Assistance	402,438	413,648	435,912
Education	—	—	—
Public Ways and Facilities	37,892	42,521	48,974
Recreation and Culture	—	—	—
Reserves and Debt Service	<u>5,036</u>	<u>3,110</u>	<u>4,856</u>
TOTAL REQUIREMENTS	<u>1,245,457</u>	<u>1,303,546</u>	<u>1,391,504</u>
Available Funds			
Property Taxes	264,573	273,900	294,200
Fund Balance Available	15,950	20,919	35,157
Other Taxes	16,980	17,524	17,817
Licenses, Permits and Franchises	12,236	11,289	11,314
Fines, Forfeitures and Penalties	17,585	21,044	26,691
Use of Money and Property	2,090	2,140	2,146
Intergovernmental	510,617	527,472	531,967
Charges for Current Services	226,355	216,523	223,519
Other Revenue	<u>179,071</u>	<u>212,735</u>	<u>248,693</u>
TOTAL AVAILABLE FUNDS	<u>\$1,245,457</u>	<u>\$1,303,546</u>	<u>\$1,391,504</u>

Source: County Auditor-Controller.

County Financial Management Policies

The Board of Supervisors has adopted a comprehensive set of financial management policies to provide for: (i) the annual adoption of a policy for the prudent investment of County funds; (ii) establishing a Treasury Oversight Committee; (iii) establishing and maintaining a General Fund reserve (iv) establishing formal fiscal policies regarding the adoption and maintenance of an annual balanced budget, and (v) establishing parameters for issuing and managing debt. Each of these financial management policies is described below.

Investment Policy. The County annually adopts an investment policy (the “Investment Policy”) governing the County’s investment of funds in the County Treasurer’s Investment Pool, which as of June 30, 2014 held assets in the approximate amount of \$2.4 billion. The most recent update to the Investment Policy was approved by the Board of Supervisors on June 9, 2015. For a description of the Investment Policy and investments held in the County Treasurer’s Investment Pool, see APPENDIX B–

“COUNTY FINANCIAL INFORMATION–CONTRA COSTA COUNTY TREASURER’S INVESTMENT POOL” and APPENDIX D–“COUNTY INVESTMENT POLICY.”

Treasury Oversight Committee. In November 1995, the Board of Supervisors adopted an Order establishing a committee (the “Treasury Oversight Committee”). The Treasury Oversight Committee is composed of seven members: the County Superintendent of Schools or his/her designee; a representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the County; a representative selected by a majority of the presiding officers of the legislative bodies of the special districts in the County that are required or authorized to deposit funds in the County treasury; a representative appointed by the Board of Supervisors; and three members of the public nominated by the County Treasurer-Tax Collector (the “County Treasurer”). Members of the Treasury Oversight Committee are appointed to four year terms.

The Treasury Oversight Committee is responsible for reviewing and monitoring the County Treasurer’s annual investment policy and ensuring an annual audit is conducted to determine the County Treasurer’s compliance with Government Code §§27130-27137.

General Fund Reserve Policy. In January 2006, the Board of Supervisors adopted a General Fund Reserves Policy, as revised in June 2011 to comply with GASB 54–“Fund Balance Reporting and Governmental Fund Type Definitions” (the “Reserves Policy”). The Reserves Policy requires the County to maintain a General Fund balance equal to a minimum of 10% of General Fund revenues and an unreserved balance equal to a minimum of 5% of General Fund revenues. Reserves exceeding the minimum are applied only to one-time uses such as additional reserves or capital projects up to an amount equal to 1% of General Fund revenues. The reserves can be used only in emergency situations and only if accompanied by a Board-approved plan to restore reserves to the target levels. Since Fiscal Year 2005-06, the County’s audited financial reports confirm compliance with the Reserves Policy. For Fiscal Year 2013-14, the total General Fund balance was approximately 18.3% of General Fund revenues and the unassigned portion was approximately 10.7%.

Budget Policy. In November 2006, the Board of Supervisors adopted a Budget Policy (the “Budget Policy”) to establish best practices for the budget process and require the preparation of multi-year budget projections. Among other things, the Budget Policy requires: (i) the adoption of structurally balanced budgets; (ii) preparation of mid-year departmental updates on budget status, with corrective actions presented to the Board of Supervisors within 30 days for any cost centers over budget; and (iii) adoption of an annual budget early enough (and no later than May 31) to allow all impacts on programs and/or revenues to be in effect on the first day of the Fiscal Year (July 1).

Debt Management Policy. In December 2006, the Board of Supervisors adopted a Debt Management Policy, most recently revised on June 7, 2015, that formulized the parameters for issuing and managing outstanding debt, guidance regarding the timing and purpose for which various types of debt instruments and other financial obligations may be issued, the types and amounts of which permissible debt, and the methods of sale and structural features may be incorporated in debt transactions. The Debt Management Policy provides that the County prepare a multi-year capital program and sets forth guidelines for the term of debt issues, refunding savings targets and other structural debt features.

The Debt Management Policy established a Debt Affordability Advisory Committee (the “Advisory Committee”) that annually reviews and evaluates existing and proposed debt and other findings; assesses the ability of the County to generate and repay debt; and issues an annual report to the County Administrator defining the debt capacity of the County, which report is an important element of the budget process and includes recommendations made by the Advisory Committee regarding how much new debt can be authorized by the County without overburdening itself with debt service payments. The

Advisory Committee is composed of the Auditor-Controller, the County Treasurer-Tax-Collector, the Director/Conservation and Development, and the County Director of Finance.

The Advisory Committee examines specific statistical measures to determine debt capacity and relative debt position and compares these ratios to other counties, rating agency standards and County historical ratios to determine debt affordability.

From Moody's Investors Service, the Advisory Committee evaluates the County against the following debt ratios from the most recently available national medians for counties in the "Aa" rating tier with population of at least one million.

1. Direct debt as a percentage of assessed valuation;
2. Overall net debt as a percentage of assessed valuation;
3. Assessed valuation per-capita;
4. Available General Fund balance as a percentage of revenue; and
5. General Fund balance as a percentage of revenues.

From Standard and Poor's, the Advisory Committee evaluates the County against the following debt ratios from the most recent available national medians for counties in the "AAA" rating tier:

1. Assessed valuation per capita;
2. Direct debt as a percentage of governmental funds revenue;
3. Total government available cash as a percentage of debt service;
4. Total government available cash as a percentage of expenditures; and
5. Total debt service as a percentage of General Fund expenditures.

The Advisory Committee also evaluates the County against a group of cohort counties, namely, other large urban counties in the State. The Advisory Committee utilizes each respective cohort county's most recently available comprehensive audited financial report to measure the comparative performance of the County on the various debt measures calculated by Moody's and S&P as noted above, and also against the additional ratios below:

1. Direct debt per capital; and
2. Debt payments as a percentage of General Fund revenues.

Workers' Compensation Confidence Level Policy. In September 2007, the Board of Supervisors adopted a Workers' Compensation Internal Services Fund Funding Policy that established a targeted minimum confidence level (the measure of probability that the workers' compensation trust fund will have sufficient money to cover all benefits and claims that have been incurred) of 80%. The actuarial report dated as of June 30, 2014 indicated that the total County self-insurance reserves reflected an approximately 86% confidence level on a discounted basis.

Ad Valorem Property Taxes

General. The County administers the property tax levy and collection system for the County and all local governments in the County. Taxes are levied for each fiscal year on taxable real and personal property that is situated in the County as of the preceding January 1. For assessment and 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 property and property secured by a lien on real property which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Ad valorem 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. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is declared to be subject to the power of sale by the County Treasurer and may be subsequently sold by the County Treasurer.

Legislation established the “supplemental roll” in 1984, which directs the Assessor to re-assess real property, at market value, on the date the property changes ownership or upon completion of construction. *Ad valorem* property taxes on the supplemental roll are eligible for billing 30 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered.

Billings are made on a monthly basis and are due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on December 10 and the second on April 10. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent.

Ad valorem property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue beginning November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) by filing a civil action against the taxpayer; (2) by filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) by filing a certificate of delinquency for recordation in the County Recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) by the seizure and sale of personal property, improvements or possessory interest, belonging to the taxpayer.

The County and its political subdivisions operate under the Teeter Plan pursuant to provisions of Sections 4701 through 4717 of the California Revenue and Taxation Code. See “–The Teeter Plan.” Pursuant to those sections, the accounts of all political subdivisions that levy *ad valorem* taxes on the County tax rolls are credited with 100% of their respective tax levies regardless of actual payments and delinquencies. The County Treasury’s cash position (from taxes) is protected by a special fund (the “Tax Losses Reserve Fund”) into which all County-wide delinquent penalties are deposited. The County has used this method since Fiscal Year 1950-51. See the “–Tax Losses Reserve Fund.”

Fiscal Year 2014-15 secured *ad valorem* property tax revenues are expected to comprise approximately 14.5% of General Fund revenues of the County.

Assessment Appeals. Property values determined by the County Assessor, which are used to determine property taxes, may be subject to an appeal by the property owners or property taxpayer (the “Applicant”) by filing a timely assessment appeal. The County Assessment Appeals Board (the “Appeals Board”) hears and determines the assessment appeals. The Appeals Board hears appeals within two years of the filing date, except when this period has been extended. The decision of the Appeals Board may result in a reduction to the County Assessor’s enrolled property value and a tax refund to the taxpayer.

Property tax assessment appeals were filed by Chevron for the years 2004 through 2012 challenging the assessed value of its refinery in the City of Richmond. Chevron disagreed with the determinations of the Appeals Board and filed three separate actions in Contra Costa Superior Court.

On September 17, 2013, the County Board of Supervisors approved execution of a Settlement Agreement and Release (the “Settlement Agreement”) among Chevron USA, Chevron Corporation, the County, the County Assessor and the City of Richmond, which became effective upon the approval of a Stipulated Settlement by the Appeals Board. The Appeals Board approved the Stipulated Settlement in November 2013. Pursuant to the Settlement Agreement, the assessment appeals by Chevron for the years 2004 through 2012 are resolved, and Chevron agreed to dismiss the three pending court cases challenging the assessed value, withdraw or dismiss the pending appeals before the Appeals Board and forgo an approximately \$8 million refund. In addition, Chevron agreed not to file or re-file assessment appeals for any prior fiscal year up to and including fiscal year 2013-14 and to annually meet and confer with the County about the value of the refinery facilities. As agreed to by Chevron and the County Assessor in the Stipulated Settlement, and ordered by the Appeals Board, the assessed value of the refinery was determined to be \$3.28 billion for Fiscal Year 2012-12, which replaced the enrolled value of \$3.87 billion (a reduction of \$591,000,000). The Settlement Agreement does not prevent Chevron from filing assessment appeals or litigation against the County concerning the assessed value of the refinery in future years. The County cannot predict whether additional appeals will be filed by Chevron or any other major property taxpayer in the future, or if filed whether or to what extent such appeals will be successful.

Proposition 8 Appeals. In 1978, the voters of the State passed Proposition 8 (“Proposition 8”), a constitutional amendment to Article XIII A that allows a *temporary* reduction in assessed value when real property suffers a decline in value. A decline in value occurs when the *current market* value of real property is less than the *current assessed* (taxable) factored base year value as of the lien date, January 1. See also “*Declines in Fiscal Year 2012-13 and Fiscal Year 2013-14 Assessed Valuation.*”

A property owner may apply for a Proposition 8 reduction of the *ad valorem* property tax assessment for such owner’s property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county assessment appeals board (a “Proposition 8” appeal). In addition to reductions in assessed value resulting from Proposition 8 appeals, Proposition 8 also allows assessors to reduce assessed value unilaterally to reflect reductions in market value.

Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as “ongoing hardship”), a county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. In a similar manner, a county assessor may reassert the pre-appeal level of assessed value depending on the county assessor’s determination of current value.

In addition to reductions in assessed value resulting from Proposition 8 appeals, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary only for those property that are not sold to new owners, and are otherwise expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated.

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 (the “Law”). 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 County deposits in the Tax Losses Reserve Fund all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided. While the County bears the risk of loss on delinquent taxes that go unpaid, it benefits from the penalties associated with these delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk. 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.

Tax Losses Reserve Fund. Pursuant to the Law, the County is required to establish the Tax Losses Reserve Fund to cover losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property (*i.e.*, if the sale price of the property is less than the amount owed). During each fiscal year, the Tax Losses Reserve Fund is reviewed and when the amount of the fund exceeds certain levels, the excess may be credited to the County General Fund as provided by Sections 4703 and 4703.2 of the California Revenue and Taxation Code. State law allows any county to draw down their tax losses reserve fund to a balance equal to (i) one percent of the total of all taxes and assessments levied on the secured roll for that year, or (ii) 25% of the current year delinquent secured tax levy.

As of June 30, 2014, the balance in the Tax Losses Reserve Fund was approximately \$90.6 million. An amount equal to \$22.0 million of such reserve was transferred to the County’s General Fund in Fiscal Year 2013-14.

As of June 30, 2015, the balance in the Tax Losses Reserve Fund is projected to be approximately \$85.0 million after the budgeted reserve amount is transferred to the County’s General Fund in Fiscal Year 2014-15.

Effect of Foreclosures on Property Tax Collections. As described above, once an installment of property tax becomes delinquent, penalties are assessed commencing on the applicable delinquency date until the delinquent installment(s) and all assessed penalties are paid. In the event of foreclosure and sale of property by a mortgage holder, all past due property taxes, penalties and interest are required to be paid before the property can be transferred to the purchaser/new owner.

In addition, as required under the Teeter Plan (described below), the County maintains a Tax Losses Reserve Fund, to cover potential losses that may result if tax-defaulted property is sold by the County for less than the amount of the taxes owed. See also “–The Teeter Plan.”

A recent history of secured County tax levies, delinquencies and the Tax Losses Reserve Fund cash balances as of June 30 of each year is shown in Table B-2 below.

Table B-2
COUNTY OF CONTRA COSTA
SUMMARY OF SECURED ASSESSED VALUATIONS⁽¹⁾ AND AD VALOREM PROPERTY TAXATION
FISCAL YEARS 2007-08 THROUGH 2014-15

Fiscal Year (June 30)	Secured Assessed Valuation ⁽¹⁾	Secured Property Tax Levies	Current Year Tax		Balance in Delinquent Property Tax	Total Tax Losses Reserve Fund	Tax Losses Reserve Fund as % of Total Delinquencies
			Delinquencies	% Delinquent			
2007-08 ⁽²⁾	\$154,721,506,676	\$2,077,282,718	\$106,031,582	5.10%	\$143,490,997	\$45,174,112	31.48%
2008-09	154,820,838,330	2,061,930,220	86,035,461	4.17	129,971,278	66,209,174	50.94
2009-10	143,356,117,163	1,964,723,577	55,418,474	2.82	101,461,335	84,269,785	83.06
2010-11	139,106,978,652	1,932,503,520	35,684,974	1.85	78,164,109	94,110,127	120.40
2011-12	138,382,133,511	1,973,645,892	54,933,259	2.79	96,699,117	101,354,611	104.81
2012-13	139,353,572,756	1,974,837,555	21,622,707	1.09	58,162,000	96,423,523	165.78
2013-14	144,725,591,361	2,092,731,716 ⁽³⁾	20,610,514	0.99	51,636,396	90,648,537	175.55
2014-15	158,026,299,690	N/A	N/A	N/A	N/A	N/A	N/A

(1) Assessed values are those defined under California Revenue and Taxation Code Sections: 601 and 721 *et. seq.* Article XIII A, added to California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value which appeared on the Assessor's 1975-76 assessment roll. Thereafter, full cash value can be increased to reflect: (i) annual inflation up to 2%; (ii) current market value at time of ownership change; and (iii) market value for new construction.

(2) Revised.

(3) Adjusted on January 5, 2015 from the original amount reported (\$2,083,809,768).

Source: County Auditor-Controller-Property Tax Division.

From 2008 through 2010, residential mortgage loan defaults and foreclosures increased significantly in connection with the collapse of the subprime sector of the residential mortgage market and broader economic pressures. In California, the greatest impacts were in regions of the Central Valley and the Inland Empire (both areas that are outside of the County), although the County was impacted as well, particularly in the eastern portions of the County where the largest number of new mortgages were originated.

Since 2010, notices of default and foreclosures have declined significantly. Based on information provided by an independent data collection service for calendar year 2014, mortgage holders had sent 2,245 notices of default with respect to properties located within the County compared to 2,972 during calendar year 2013, and 819 trustee deeds had been recorded (indicating that the property has been lost to foreclosure) during calendar year 2014 compared to 1,490 during calendar year 2013.

A summary of the notices of default sent and trustee deeds recorded for the cities within the County during calendar years 2010 through 2014 are set forth in Table B-3.

Table B-3
CONTRA COSTA COUNTY
SUMMARY OF FORECLOSURE ACTIVITY
CALENDAR YEARS 2010 THROUGH 2014

<u>Incorporated</u>	Notices of Defaults						Foreclosures					
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>% Change 2013 to 2014</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>% Change 2013 to 2014</u>
Alamo	92	97	57	18	31	72.2%	40	34	13	6	0	—
Antioch	1,871	1,617	1,088	540	348	(35.6)	1,288	1,003	619	249	160	(35.7%)
Bethel Island	24	23	22	6	6	0.0	19	19	10	8	3	(62.5)
Brentwood	1,013	835	555	193	138	(28.5)	568	518	279	88	50	(43.2)
Byron	7	7	6	2	1	(50.0)	4	2	5	1	1	0.0
Clayton	89	103	63	38	22	(42.1)	35	38	22	17	7	(58.8)
Concord	1,493	1,263	814	307	243	(20.8)	796	872	484	162	91	(43.8)
Crockett	40	27	14	12	7	(41.7)	19	16	8	6	5	(16.7)
Danville	396	355	272	112	79	(29.5)	141	130	73	29	20	(31.0)
Diablo	3	5	0	1	1	0.0	0	2	1	0	0	0.0
Discovery Bay	343	278	212	80	50	(37.5)	194	175	93	41	19	(53.7)
El Cerrito	90	94	61	22	13	(40.9)	36	44	33	11	1	(90.9)
El Sobrante	350	252	188	94	72	(23.4)	177	202	120	42	17	(59.5)
Hercules	487	424	319	126	95	(24.6)	239	257	159	62	29	(53.2)
Knightsen	3	2	1	0	0	0.0	2	12	1	0	0	0.0
Lafayette	79	84	64	24	21	(12.5)	30	31	19	3	1	(66.7)
Martinez	503	480	351	110	88	(20.0)	265	311	159	65	29	(55.4)
Moraga	59	43	41	18	16	(11.1)	24	19	11	8	3	(62.5)
Oakley	695	573	429	176	122	(30.7)	438	395	244	80	50	(37.5)
Orinda	64	65	42	16	16	0.0	26	10	13	3	3	0.0
Pinole	218	233	138	56	32	(42.9)	113	109	106	40	16	(60.0)
Pittsburg	1,288	1,006	741	276	245	(11.2)	935	722	383	155	88	(43.2)
Pleasant Hill	258	255	180	56	38	(32.1)	134	126	72	25	24	(4.0)
Richmond	1,014	815	591	222	192	(13.5)	679	622	354	151	85	(43.7)
Rodeo	104	91	74	34	31	(8.8)	65	63	28	22	14	(36.4)
San Pablo	793	645	523	201	144	(100.3)	482	463	291	117	60	(48.7)
San Ramon	651	565	379	112	114	1.8	233	251	130	46	19	(58.7)
Walnut Creek	<u>519</u>	<u>467</u>	<u>299</u>	<u>116</u>	<u>79</u>	<u>(31.9)</u>	<u>253</u>	<u>287</u>	<u>147</u>	<u>53</u>	<u>24</u>	<u>(54.7)</u>
Subtotal Incorporated	12,546	10,704	7,524	2,968	2,244	(24.4) ⁽¹⁾	7,235	6,733	3,877	1,490	819	(45.0) ⁽¹⁾
Unincorporated	<u>18</u>	<u>17</u>	<u>11</u>	<u>4</u>	<u>1</u>	<u>(75.0)⁽²⁾</u>	<u>41</u>	<u>3</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0.0⁽²⁾</u>
Total County	12,564	10,721	7,535	2,972	2,245	(24.5) ⁽³⁾	7,276	6,736	3,881	1,490	819	(45.0) ⁽³⁾

(1) Represents the average for all incorporated areas.

(2) Represents the average for all unincorporated areas.

(3) Represents the Countywide average.

Source: MDA DataQuick Information.

Largest Property Taxpayers

The 10 largest property taxpayers in the County, as shown on the Fiscal Year 2013-14 secured tax roll and the approximate amounts of their *ad valorem* property tax payments and the 10 largest property taxpayers by assessed value are shown below in Table B-4A and Table B-4B, respectively.

Table B-4A
COUNTY OF CONTRA COSTA
TEN LARGEST PROPERTY TAXPAYERS
BY TAXES PAID
FISCAL YEAR 2013-14⁽¹⁾

<u>Taxpayer</u>	<u>Total Taxes Paid⁽²⁾</u>	<u>Percent of Total County Tax Roll⁽²⁾</u>
Chevron USA Inc. ⁽³⁾	\$46,631,982	2.25%
Pacific Gas & Electric	27,138,136	1.31
Equilon Enterprises LLC	20,945,361	1.01
Tesoro Refining & Marketing	15,687,332	0.76
Tosco Corporation	14,531,052	0.70
Pacific Bell Telephone Co.	8,580,830	0.41
SDC 7	8,043,909	0.39
Genon Marsh Landing, LLC	6,044,703	0.29
First Walnut Creek Mutual	6,013,015	0.29
Sierra Pacific Properties Inc.	5,902,911	0.29
SUBTOTAL TEN LARGEST TAXPAYERS	\$159,519,232	7.71
Other Taxpayers	1,910,043,527	92.29
TOTAL	\$2,069,562,759	100.00%

(1) Most recent data available.

(2) Column does not total due to rounding.

(3) In July 2014, the final environmental impact report and applications submitted by Chevron Products Company for a Conditional Use Permit ("CUP") and Design Review Permit ("DRP"), as well as an Environmental and Community Investment Agreement (the "ECIA") was approved by the City of Richmond to allow an approximately \$1.0 billion replacement of the existing hydrogen plant, power plant, and reformer. The equipment is designed to improve the ability of the Chevron refinery to process high-sulfur crude oil, reliability, energy efficiency, and add environmental controls. An injunction that had halted project construction of this project in 2009 was lifted by the Contra Costa County Superior Court in April 2015, and the Bay Area Air Quality Management District reissued the authority-to-construct permit. Chevron has commenced updating its engineering, procurement and construction plans. It is expected that, field construction will restart in mid to late 2016 and be completed within 18 months to two years.

Source: County Treasurer-Tax Collector.

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Table B-4B
COUNTY OF CONTRA COSTA
TEN LARGEST PROPERTY TAXPAYERS
BY TAXABLE ASSESSED VALUE (SECURED AND UNITARY)
FISCAL YEAR 2013-14⁽¹⁾

<u>Taxpayer</u>	<u>Taxable Assessed Value⁽²⁾</u>	<u>Percent of Total</u>
Chevron USA Inc. ⁽³⁾	\$3,217,924,448	2.25%
Pacific Gas & Electric	1,881,913,680	1.32
Equilon Enterprises LLC	1,353,518,289	0.95
Tesoro Refining & Marketing	1,279,317,983	0.90
Tosco Corporation	694,544,328	0.49
Pacific Bell Telephone Co.	544,800,000	0.38
SDC 7	425,073,340	0.30
Genon Marsh Landing, LLC	418,787,284	0.29
First Walnut Creek Mutual	360,313,182	0.25
Sierra Pacific Properties Inc.	<u>326,900,000</u>	<u>0.22</u>
SUBTOTAL TEN LARGEST TAXPAYERS	10,503,092,534	7.35
Other Taxpayers	<u>132,361,460,664</u>	<u>92.65</u>
TOTAL	\$142,864,553,198	100.00%

(1) Most recent data available.

(2) Includes secured and unitary values.

(3) In July 2014, the final environmental impact report and applications submitted by Chevron Products Company for a Conditional Use Permit ("CUP") and Design Review Permit ("DRP"), as well as an Environmental and Community Investment Agreement (the "ECIA") was approved by the City of Richmond to allow an approximately \$1.0 billion replacement of the existing hydrogen plant, power plant, and reformer. The equipment is designed to improve the ability of the Chevron refinery to process high-sulfur crude oil, reliability, energy efficiency, and add environmental controls. An injunction that had halted project construction of this project in 2009 was lifted by the Contra Costa County Superior Court in April 2015, and the Bay Area Air Quality Management District reissued the authority-to-construct permit. Chevron has commenced updating its engineering, procurement and construction plans. It is expected that, field construction will restart in mid to late 2016 and be completed within 18 months to two years.

Source: Contra Costa County Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2014.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (the "SBE") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property," a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year. In 1999, the SBE adopted a rule that provides for local assessment of certain investor-owned electric utility facilities. As a result of this rule, the County Assessor currently assesses three power plants located in the County. However, assessment of certain power plants has been transferred to the SBE, so the portion of the County's total net assessed valuation constituting unitary property subject to SBE assessment has increased (see further discussion below).

For Fiscal Year 2013-14, approximately 2.1% of the County's total net assessed valuation constituted property subject to State assessment by the SBE, for which approximately \$44.2 million of property taxes were collected in Fiscal Year 2013-14. The portion of Fiscal Year 2013-14 tax collections through the SBE assessment methodology attributable to the County General Fund was approximately \$8.8 million.

For Fiscal Year 2014-15, approximately 1.9% of the County's total net assessed valuation constituted property subject to State assessment by the SBE, for which approximately \$45.9 million of property taxes are expected to be collected in Fiscal Year 2014-15. The portion of Fiscal Year 2014-15 tax collections through the SBE assessment methodology attributable to the County General Fund for Fiscal Year 2014-15 is expected to be \$8.7 million.

Dissolution of Redevelopment Agency

No revenues of the Contra Costa County Redevelopment Agency (the "Former Agency") have ever been pledged as a payment source for County indebtedness in the past and such revenues are not pledged to the payment of the Series 2015 Bonds. No General Fund expenses of the County have ever been paid from Former Agency revenues.

Two bills enacted as part of the 2011 State Budget Act (ABx1 26 and ABx1 27 (Chapter 6, Statutes of 2011-12, First Extraordinary Session) (the "Dissolution Act" and "AB 27," respectively) dissolved all redevelopment agencies, and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the dissolved redevelopment agencies and to administer the wind down and dissolution of the dissolved redevelopment agencies. The California Supreme Court upheld the Dissolution Act, resulting in the formal dissolution of all redevelopment agencies in the State, including the Former Agency, effective February 1, 2012.

All property tax revenues that would have been allocated to redevelopment agencies, including the Former Agency, will be allocated to the applicable redevelopment property tax trust fund created by the county auditor-controller for the "successor agency." Such funds will to be used for payments on indebtedness and other "enforceable obligations" (as defined in the Dissolution Act), and to pay certain administrative costs and any amounts in excess of that amount are to be considered property taxes that will be distributed to taxing agencies.

In addition, under the Dissolution Act tax increment is no longer deemed to flow to the successor agency and the requirement to deposit a portion of the tax increment into a low and moderate income housing fund is also no longer required. Rather, all funds are considered property taxes. See "SECURITY FOR THE BONDS."

Pursuant to California Health and Safety Code Section 34173(d), the Board of Supervisors declared that the County would act as the "successor agency" to the Former Agency (the "Successor Agency") under the Dissolution Act. Pursuant to AB 1484, the Successor Agency is a separate public entity from the County. The Dissolution Act also required that an oversight board for each successor agency be established no later than May 1, 2012. The Successor Agency duly established the Oversight Board of the Successor Agency to the Contra Costa County Redevelopment Agency (the "Oversight Board") pursuant to California Health and Safety Code Section 34179(a).

The Dissolution Act expressly limits the liabilities of a successor agency in performing duties under the Dissolution Act to the amount of property tax revenues received by such successor agency under the Dissolution Act (generally equal to the amount of former tax increment received by the former redevelopment agency) and the assets of the former redevelopment agency. The Dissolution Act does not provide for any new sources of revenue, including general fund revenues of the County, for any Former Agency bonds (but as discussed below, the costs to the County of performing its obligations under the

Dissolution Act and of pursuing the economic development goals of the Former Agency are uncertain and could be significant.

Under the Dissolution Act, the County Auditor-Controller is required to determine the amount of property taxes that the redevelopment agencies would have received had they not been dissolved pursuant to the Dissolution Act, using assessed values on the last equalized roll on August 20, statutory formulas or contractual agreements with taxing entities, and deposit such amount in the Redevelopment Property Tax Trust Fund. The Redevelopment Property Tax Trust Fund is administered by the County Auditor-Controller for the benefit of the holders of enforceable obligations and the taxing entities that receive pass-through payments and property tax distributions.

Although provisions have been made under the Dissolution Act to provide funds (*i.e.* property tax revenues) to continue certain enforceable obligations, the costs of the Successor Agency in performing its duties under the Dissolution Act, including performing all enforceable obligations of the Former Agency, and pursuing community development goals that the Former Agency undertook and that are not covered by enforceable obligations are uncertain, and could impose significant costs on the General Fund not offset by property tax revenues.

The Successor Agency does not issue separate financial statements. Although a separate legal entity from the County, the financial results for the Successor Agency are reported as fiduciary funds in the CAFR of the County.

Accounting Policies, Reports and Audits

The County believes that its accounting policies used in preparation of its audited financial statements conform to generally accepted accounting principles applicable to counties. The County's governmental funds use the modified accrual basis of accounting. This system recognizes revenues when they become available and measurable. Expenditures are recognized when the fund liability is incurred. Proprietary funds and fiduciary funds (except for Agency funds) use the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, while expenses are recognized when the liabilities are incurred.

The County Treasurer also holds certain trust and agency funds not under the control of the Board of Supervisors, such as those of school districts, which are accounted for on a cash basis.

The California Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the Comprehensive Annual Financial Report for the County. This annual report covers financial operations of the County, County districts and service areas, and various trust transactions of the County Treasury. Under California law, independent audits are required of all operating funds under the control of the Board of Supervisors. The County has had independent audits for more than 40 years. See APPENDIX C—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

In addition to the above-mentioned audits, the County Grand Jury may also conduct management audits of certain offices of the County.

The County, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into these categories as follows: (i) governmental funds; (ii) proprietary funds; and (iii) fiduciary funds.

Governmental Funds: used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources that are available for spending as well as on balances of resources that are available for spending at the end of the Fiscal Year.

The County maintains 26 individual governmental funds (*e.g.* General Fund, special revenue funds, debt service funds, capital projects funds and permanent fund) for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Contra Costa County Fire Protection District Special Revenue Fund, and the Health and Sanitation Special Revenue Fund.

Proprietary Funds: used to account for information of the same type as the government-wide financial statements, only in more detail. These are of two different types: (i) Enterprise Funds (used to report the same functions presented as business-type activities in the government-wide financial statements) and (ii) Internal Service Funds (used to accumulate and allocate costs internally among the County's various functions and to account for its administrative costs and payment of claims for its various insurance programs).

Fiduciary Funds: used to account for resources held for the benefit of entities legally separate from the County and individuals, which are not part of the reporting entity. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

Presented in Table B-5 on the following page is the County's Schedule of Revenues, Expenditures and Changes in Fund Balances for the County General Fund as of June 30 for the five most recent fiscal years for which audited financial statements are available. More detailed information from the County's audited financial report for the fiscal year ending June 30, 2014 appears in APPENDIX C to this Official Statement.

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Table B-5
COUNTY OF CONTRA COSTA
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEARS 2009-10 THROUGH 2013-14
(\$ IN THOUSANDS)

	2009-10	2010-11	2011-12	2012-13	2013-14
REVENUES					
Taxes	\$291,937	\$284,644	\$286,122	\$294,155	\$314,670
Licenses, permits & franchises	11,496	11,576	11,344	10,737	11,678
Fines, forfeitures & penalties	13,889	17,870	15,131	28,016	29,357
Use of money & property [†]	2,673	2,827	3,078	4,967	3,408
Intergovernmental revenues [†]	544,262	573,932	479,494	482,049	488,683
Charges for services [†]	215,363	217,702	203,374	196,362	207,361
Other revenue [†]	79,246	79,166	139,180	210,328	242,236
TOTAL REVENUES	1,158,866	1,187,717	1,137,723	1,226,614	1,297,393
EXPENDITURES					
Current:					
General government	134,325	141,645	131,640	132,586	147,491
Public protection	321,272	323,178	329,321	334,200	349,074
Health & sanitation	215,292	224,424	218,161	230,429	250,374
Public assistance	378,622	389,332	366,855	378,675	382,491
Education	218	—	—	—	—
Public ways and facilities	40,841	37,346	38,140	32,613	36,127
Recreation and culture	—	43	—	—	—
Debt service:					
Principal	52	20	79	100	85
Interest	1	110	51	48	45
TOTAL EXPENDITURES	1,090,623	1,116,098	1,084,247	1,108,651	1,165,687
Excess (deficiency) of Revenues over (under) Expenditures	68,243	71,619	53,476	117,963	131,706
OTHER FINANCING SOURCES (USES)					
Operating transfers in	23,922	23,833	43,698	1,474	62
Operating transfers out	(89,520)	(87,093)	(87,993)	(85,485)	(83,869)
Issuance of debt	—	—	262	14	—
Premium on debt issues	—	—	—	—	—
Capital lease financing	—	944	245	1,182	1,797
TOTAL OTHER FINANCING SOURCES (USES)	(65,598)	(62,316)	(43,788)	(82,815)	(82,010)
NET CHANGE IN FUND BALANCES	2,645	9,303	9,688	35,148	49,696
FUND BALANCE AT BEGINNING OF YEAR	130,724	133,369	142,672	152,360	187,508
FUND BALANCE AT END OF YEAR	\$133,369	\$142,672	\$152,360	\$187,508	\$237,204

[†] The terms "Use of money and property," "Intergovernmental revenues," "Charges for services," and "Other revenue" are defined in "Accounting Standards and Procedures for Counties." Revision No. 2 May 1, 2014. California State Controller's Office.

Source: County Auditor-Controller.

County Employees

A summary of the total number of County full-time equivalent (FTE) employees is set forth below:

Table B-6
COUNTY OF CONTRA COSTA
FULL-TIME EQUIVALENT COUNTY EMPLOYEES⁽¹⁾

<u>As of June 30</u>	<u>Number of FTE Employees</u>
2006	8,423
2007	8,409
2008	8,697
2009	8,625
2010	8,191
2011	8,142
2012	8,329
2013	8,367
2014	8,624
2015 ⁽¹⁾	8,417
2016 ⁽²⁾	8,905

(1) As of June 30, 2015.

(2) Budgeted.

Source: County Administrator's Office.

Contract Negotiations

County employees are represented in 42 bargaining units by 15 labor organizations, the principal ones being Public Employees Union, Local One; Local 1021 of the Service Employees International Union ("SEIU") and Local 2700 of the American Federation of State County and Municipal Employees ("AFSCME") which, combined, represent approximately 55% of all permanent County and Contra Costa County Fire District employees in a variety of classifications.

The Memoranda of Understanding (the "MOUs") of the employee organizations that have expired remain in full force and effect. Table B-7 summarizes the labor organizations at the County, contract expiration dates and status of negotiations.

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Table B-7
COUNTY OF CONTRA COSTA
LABOR ORGANIZATION UNIT CONTRACT EXPIRATION DATES
(As of June 30, 2015)

<u>Labor Organization</u>	<u>Contract Expiration Date</u>	<u>Total Number of Employees⁽¹⁾</u>
AFSCME Local 512, Professional and Technical Employees	06/30/16	271
AFSCME Local 2700, United Clerical, Technical and Specialized Employees	06/30/17	1,506
California Nurses Association	07/31/14 ⁽²⁾	603
Contra Costa County Defenders Association	06/30/15 ⁽²⁾	63
Contra Costa County Deputy District Attorneys Association	06/30/15 ⁽²⁾	87
Deputy Sheriff's Association, Management Unit and Rank and File Unit	06/30/16	824
District Attorney Investigator's Association	06/30/16	14
Contra Costa County Firefighters Association, IAFF, Local 1230	06/30/17	256
Management Classified, Exempt and Management Project	N/A ⁽³⁾	322
Physicians and Dentists of Contra Costa	10/31/16	257
Probation Peace Officers Association	06/30/15 ⁽²⁾	203
Professional and Technical Engineers, Local 21, AFL-CIO	06/30/16	887
Public Employees Union, Local One	06/30/16	2,107
SEIU Local 1021, Rank and File and Service Line Supervisors Units	06/30/16	983
United Chief Officers' Association	06/30/14	12
Western Council of Engineers	06/30/17	22
TOTAL		8,417

(1) Figures represent permanent employee counts.

(2) Negotiations are in process and the employees continue to work for the County pursuant to the terms of the existing MOU for this labor organization.

(3) Not represented.

Source: Contra Costa County Human Resources Department.

Pension Plan

Description. The Contra Costa County Employees' Retirement Association (the "Association" or "CCCERA") is a cost-sharing multiple-employer defined pension benefit plan governed by the County Employees' Retirement Law of 1937, as amended (the "1937 Act"), and the Public Employees' Pension Reform Act of 2013 ("PEPRA" and together with the 1937 Act, the "Retirement Law"). The plans cover substantially all of the employees of the county, its special districts, the Housing Authority of the County and four other member agencies. CCCERA issues a stand-alone financial report, which is available at its office located at 1355 Willow Way, Suite 221, Concord, California 94520 and on their website at <http://www.cccera.org/publicationssample.html>. For additional information on the County's pension plan, see APPENDIX C—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2014—Note 14—Employees' Retirement Plan."

The plan provides for retirement, disability, and death and survivor benefits, in accordance with the 1937 Act. Annual cost-of-living adjustments to retirement benefits can be granted by the Board of Retirement of the Association (the "Board of Retirement") as provided by State statutes.

CCCERA uses the "Entry Age" method to determine the normal cost and the Actuarial Accrued Liability (AAL). Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the Unfunded Actuarial Accrued Liability (UAAL). Normal cost under the Entry Age method is the annual contribution rate that, if paid annually from a

member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement benefit if all underlying assumptions are met. The UAAL is the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets.

The plan is currently divided into 11 benefit sections in accordance with the 1937 Act and PEPRA. These levels are known as General Tier I Enhanced, Tier II, Tier III Enhanced, Tier IV, Tier V (2% and 3% maximum COLAs); Tier V (2% and 3%/4% Maximum COLAs); Safety Tier A Enhanced, Safety Tier C Enhanced, Safety Tier D, Tier I Enhanced, and Tier IV. On October 1, 2002, the Contra Costa County Board of Supervisors adopted Resolution No. 2002/608, which provided enhanced benefit changes commonly known as 3% at 50 for Safety members and 2% at 55 for general members, effective July 1, 2002, and January 1, 2003, respectively. Effective January 1, 2005, the enhanced benefits were applied to the bargaining units represented by the California Nurses Association and the nonrepresented employees within similar classifications as employees in bargaining units represented by the California Nurses Association, as well as the supervisors and managers of those employees. In addition, each special district that is a participant of CCCERA, and whose staff are not county employees covered by Resolution No. 2002/608, was permitted to participate in the enhanced benefits. As of December 31, 2012, nine general member agencies and four safety member agencies had adopted enhanced benefits for their employees. A fifth safety member agency adopted enhanced benefits for its general members in 2003, but not for safety members. Under PEPRA, which became effective January 1, 2013, special districts that have not adopted enhanced benefits will no longer be allowed to do so.

Legislation signed by the Governor in 2002 allowed the County, effective October 1, 2002, to provide Tier III to all new employees, to move those previously in Tier II to Tier III as of that date, and to apply all future service as Tier III. Tier III was originally created October 1, 1998, and made available to all members with five or more years of Tier II service who elected to transfer to Tier III coverage.

Tier I includes members not mandated to be in Tier II or Tier III prior to PEPRA and reciprocal members who were placed in Tier I membership. There are no active Tier II member accounts. All members who moved to Tier III with five or more years of service prior to October 1, 2002, or were moved to Tier III effective October 1, 2002, January 1, 2005, or February 1, 2006, continue to have Tier II benefits for service prior to that date unless the service is converted to Tier III.

Safety includes members in active law enforcement, active fire suppression work or certain other "Safety" classifications as defined in sections of the 1937 Act made operative by the Board of Supervisors.

Effective January 1, 2007, Contra Costa County and the Deputy Sheriff's Association agreed to adopt a new Safety Tier C for sworn employees hired by the County after December 31, 2006. A Deputy Sheriff hired on or after January 1, 2007 through December 31, 2012, had a 3% at 50 benefit formula with a 2% maximum COLA and a 36 month final average salary period. Due to PEPRA, a Deputy Sheriff hired on or after January 1, 2013, has a 2.7% at 57 benefit formula with a 36 month final average salary period with compensation limited as noted below. The 2% maximum annual COLA is unchanged.

In March 2010, the Board of Retirement agreed to adopt a change to terminal pay elements for members with membership dates on or after January 1, 2011.

Except for the California Nurses Association, effective January 1, 2012, new hires and employees are now responsible for the payment of 100% of the employees' basic retirement benefit contributions, determined annually by the Board of Retirement, without the County paying any part of the employee's contributions.

On September 12, 2012, the Governor of California signed into law Assembly Bill (AB) 340 as amended by trailer bill AB 197, with an effective date of January 1, 2013. PEPRA changed how county retirement boards were permitted to calculate their current members' retirement allowances. In November 2012, CCCERA members and their representative bargaining units filed a lawsuit challenging the validity of the new law. By operation of a court-imposed Stay Order, CCCERA was prohibited from implementing the new law during the course of the litigation. On May 12, 2014, the Contra Costa County Superior Court entered a Judgment in the litigation and a Writ directing CCCERA to proceed to comply with AB 197 for all retirements effective on or after July 12, 2014. The matter was appealed. The Court of Appeal was requested to issue a "stay" of the implementation of AB 197 past July 11, 2014 during the pendency of the appeal. On June 30, 2014, the Court of Appeal issued an order denying the request for an additional "stay." CCCERA was therefore required to implement the AB 197 changes in calculating benefits for all retirements with an effective date of July 12, 2014 or later. Retirements with an effective date of July 11, 2014 or before were calculated under the pre-AB 197 rules.

In November 2012, the County Board of Supervisors approved two memoranda of understanding (deputy district attorneys and public defenders) that stipulated new members who become members after December 31, 2012 within these bargaining units will earn retirement benefits that will be subject to a maximum annual COLA of 2%. As a result, CCCERA created a second Tier V for general members subject to this COLA provision. The majority of the bargaining units have since agreed to this COLA provision for those who become members after a certain date.

PEPRA established new tiers for General and Safety employees entering membership on or after January 1, 2013. The benefit formula for General members is 2.5% at age 67 and the Safety formula is 2.7% at age 57. Benefits under the PEPRA tiers are based on a three-year final average compensation period. Additionally, PEPRA limits the amount of compensation CCCERA can use to calculate a retirement benefit. The 2014 compensation limits were \$115,064 for members covered by Social Security and \$138,077 for members not covered by Social Security and will be adjusted in future years for changes in the Consumer Price Index. County General members are covered by Social Security, while County Safety members and Contra Costa County Fire Protection District General and Safety members are not covered by Social Security. The 2015 compensation limits are \$117,020 and \$140,424, respectively.

At CCCERA's September 4, 2013 meeting, the Board of Retirement approved to use base pay only for purposes of pensionable compensation for PEPRA members and to exclude all other special compensation beyond base pay. In addition, the Board of Retirement clarified that Fair Labor Standards Act pay items will be excluded from pensionable compensation.

In September 2013, CCCERA received a favorable letter of determination from the Internal Revenue Service (IRS). With a "Letter of Determination," the retirement plan is "tax-qualified" under the Internal Revenue Code and IRS rules, and therefore plan participants are not taxed when contributions are made to the plan, but rather upon receipt of benefits at retirement.

On January 1, 2014, AB 1380, making various technical corrections that align the 1937 Act with provisions of PEPRA became effective. On January 22, 2014 the Board of Retirement exercised the discretion permitted by AB 1380 to no longer round members' contribution rates for PEPRA members to the nearest quarter of one percent as previously required by PEPRA. This should allow for the normal cost of employees covered under the PEPRA tiers to be paid equally by employees and the County.

In August 2014, California Senate Bill No. 673 was passed. As a result, CCCERA became a district for the purposes of the 1937 Act effective January 1, 2015 and CCCERA staff members became employees of CCCERA, thus relieving the County of future obligations relating to them. With the passing of Senate Bill No. 673 and the implementation of GASB Statement Nos. 67 (CCCERA) and 68 (the County) in Fiscal Year 2014-15, CCCERA is no longer being considered a blended component unit of the County.

Service retirement benefits are based on age, length of service and final average salary in accordance with the California Government Code Sections 31462, 31462.1, and 7522.32. For the Tiers I, III and Safety Tier A sections, the retirement benefit is based on a one-year final average salary. For Tiers II, IV, V and Safety Tiers C, D, and E, the benefit is based on a three-year final average salary. A five-year schedule of the funding progress for the Association is set forth in Table B-8.

Table B-8
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF FUNDING PROGRESS
(\$ in 000's)

Actuarial Valuation Date	Actuarial Value of Assets ⁽¹⁾ (a)	Actuarial Accrued Liability (AAL) ⁽²⁾ Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
12/31/09	\$5,290,114	\$6,314,787	\$1,024,673	83.7%	\$694,444	147.6%
12/31/10	5,341,822	6,654,037	1,312,215	80.3	687,443	190.9
12/31/11	5,426,719	6,915,312	1,488,593	78.5	666,394	223.4
12/31/12	5,482,257	7,761,316	2,279,059	70.6	652,312	349.4
12/31/13	5,907,416	7,731,097	1,823,681	76.4	679,429	268.4
12/31/14	6,557,496	8,027,438	1,469,942	81.7	697,832	210.6

(1) Excludes assets for non-valuation reserves.

(2) Excludes liabilities from non-valuation reserves.

Sources: CCERA Comprehensive Annual Financial Reports for the years ended December 31, 2009 through 2013 and the CCCERA Actuarial Valuation and Review as of December 31, 2014.

During calendar year 2014, 7,791 County employees were active members of the Association, representing approximately 85% of the Association's total active membership. Listed in Table B-9 is a summary of member population in the Association and in Table B-10 are the payments made by the County to the Association for normal retirement costs as well, as in certain years, UAAL amortized payments.

Table B-9
COUNTY OF CONTRA COSTA EMPLOYEES' RETIREMENT ASSOCIATION
TOTAL MEMBER POPULATION

Year Ended December 31	Total Association Active Members	Inactive Vested and Terminated Members [†]	Retired Members and Beneficiaries	Total Membership
2010	8,811	2,231	7,559	18,601
2011	8,629	2,214	8,085	18,928
2012	8,640	2,288	8,517	19,445
2013	9,124	2,345	8,625	20,094
2014	9,159	2,647	8,871	20,677

[†] Includes terminated members due a refund of member contributions.

Sources: CCCERA Comprehensive Annual Financial Reports for the years ended December 31, 2010 through 2014.

Table B-10
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(\$ IN 000'S)

<u>Year Ended</u> <u>December 31</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Asset</u>
2012	\$177,406	88.10%	\$363,877
2013	206,077	87.68	338,487
2014	219,647	86.25	308,287

Source: Contra Costa County Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2014.

Funding Policy. Pursuant to provisions of the Retirement Law, the Retirement Board recommends the annual contribution rates for adoption by the Board of Supervisors. The contribution rates, based on the actuarial study as of December 31, 2013, became effective on July 1, 2015. The contribution requirements are determined as a percentage of payroll.

The employer rates were calculated on the alternate funding method permitted by the California Government Code Section 31453.5. The "entry age normal funding" method is used to calculate the rate required to provide all the benefits promised to a new member.

On March 25, 2009, the Retirement Board decided to leave the UAAL derived from periods on or before the December 31, 2007 valuation date to be amortized on a level percent closed basis over 14 years on a declining basis with eight years remaining as of December 31, 2014.

Changes in UAAL after December 31, 2007, will be separately amortized over a fixed 18-year period effective with that valuation; and effective December 31, 2013, any changes in UAAL due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 10-year fixed period effective with that valuation. The entire increase in UAAL resulting from a temporary retirement incentive will be funded in full upon adoption of the incentive.

Active plan members are required to contribute an actuarially determined percentage of their annual covered salary. The required percentage rates vary according to the benefit section and entry age of the employee. The rates in effect during Fiscal Year 2014-15 (based on covered payroll as of January 1, 2012) ranged from ____% to ____% (for members with membership dates before January 1, 2011), ____% to ____% (for members with membership dates on or after January 1, 2011 and before January 1, 2013) and ____% to ____% (for members with membership dates on or after January 1, 2013) of the employees' annual covered salary. These rates do not include any employer subvention of member contributions or any member subvention of employer contributions. The employer rates in effect during Fiscal Year 2014-15 (based on covered payroll as of January 1, 2013) ranged from 7.92% to 22.99% of the employees' annual covered salary depending upon employer and tier.

The employer rates of contribution for the County, calculated as a percentage of the covered payroll, as determined in an actuarial report as of December 31, 2013 for Fiscal Year 2015-16 are set forth in Table B-11.

Table B-11
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
EMPLOYER CONTRIBUTION RATES
FISCAL YEAR 2015-16[†]

	<u>Members with Membership Dates</u>		
	<u>Before 1/1/11</u>	<u>On or After 1/1/11 and Before 1/1/2013</u>	<u>On or After 1/1/2013</u>
General Members, Tier I Enhanced			
General Members, Tier II			
General Members, Tier III Enhanced			
General PEPRA Tier IV (2% Max COLA)			
General PEPRA Tier IV (3% Max COLA)			
General PEPRA Tier V (2% Max COLA)			
General PEPRA Tier V (3%/4% Max COLA)			
Safety Members, Tier A Enhanced			
Safety Members, Tier C Enhanced			
Safety Members, PEPRA Tier D			
Safety Members, PEPRA Tier E			
CCC Fire Protection District – Tier I Enhanced			
CCC Fire Protection District – Safety Tier A Enhanced			
CCC Fire Protection District – Safety PEPRA Tier D			
CCC Fire Protection District – PEPRA Tier IV (3% Max COLA)			

[†] Most recent data available.

Source: County Auditor Controller based upon the CCERA Actuarial Valuation and Review as of December 31, 2013.

An actuarial valuation and review as of December 31, 2014 recommending contribution rates for 2016 was accepted by the Board of Retirement in July 2015. The rates for Fiscal Year 2016-17 are not expected to be available until fall 2015.

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Table B-12 sets forth the balances as of December 31, 2013 and December 31, 2014, in reserved and designated fiduciary net positions:

Table B-12
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
RESERVES AND DESIGNATED FIDUCIARY NET POSITIONS
ASSUMING A 7.25% ACTUARIAL RATE OF RETURN
(AS OF DECEMBER 31, 2013 AND 2014)
(\$ IN THOUSANDS)

Category	Amount	
	2013	2014
Total Valuation Reserves	\$5,907,417	\$6,557,496
Post Retirement Death Benefit	15,033	15,064
Statutory Contingency Reserve (one percent)	0	0
Deferred Return	<u>535,868</u>	<u>336,350</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$6,458,318	\$6,908,910

Sources: CCCERA Comprehensive Annual Financial Report for the Year Ended December 31, 2014.

The revenues of CCCERA by source, net assets at the end of the year and the total return on market value for the five years ending December 31, 2013 are set forth in Table B-13.

Table B-13
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF REVENUES, NET ASSETS AT MARKET VALUE
AND RETURN ON MARKET VALUE
2009 THROUGH 2013
(\$ IN THOUSANDS)

Year (December 31)	Source of Revenues			Net Assets Held at Market Value End of Year ⁽²⁾	Return on Market Value ⁽³⁾
	Employee Contributions	Employer Contributions	Investment Income/ (Loss) ⁽¹⁾		
2009	\$66,536	\$195,614	\$748,861	\$4,476,730	19.7%
2010	64,330	183,951	605,672	5,027,157	13.4
2011	61,575	200,389	100,363	5,052,290	1.8
2012	73,362	212,321	680,538	5,027,157	13.3
2013	72,373	235,017	884,870	6,458,318	15.5

(1) Net of investment expenses.

(2) Net of benefits paid, administrative costs, refund of contributions and other deductions.

(3) Before deduction of administrative fees and investments costs.

Sources: CCCERA Comprehensive Annual Financial Reports for the years ended December 31, 2009 through 2013.

Investment Policy of the Association. The Board of Retirement adopted its investment guidelines in 1985 and has amended those guidelines, the most recent amendment having been adopted on June 17, 2014 (the "Investment Policy"). The Investment Policy prescribes, among other things, asset class targets for investment of Association funds. The asset allocation targets and their associated ranges, which are a function of the returns and risks from various asset class and the nature of the Association's liabilities, currently are set forth in Table B-14.

Table B-14
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT POLICY ASSET ALLOCATION TARGETS
(AS OF DECEMBER 31, 2014)

<u>Asset Type</u>	<u>Current Investment Allocation</u>	<u>Target</u>	<u>Allocation Range</u>
Total Equity	45.9%	42.6%	40% to 55%
Fixed Income	24.1	24.4	20 to 30
High Yield Fixed Income	4.7	5.0	2 to 9
Real Estate	12.9	12.5	10 to 16
Inflation Hedge	4.7	5.0	0 to 10
Alternative Investments [†]	6.7	10.0	5 to 12
Opportunistic	0.4	0.0	0 to 5
Cash and Equivalents	<u>0.5</u>	<u>0.5</u>	0 to 1
TOTAL	100.0%	100.0%	

[†] CCCERA does not have any hedge fund investments.

Source: CCCERA's Statement of General Investment Policies and Guidelines (Last revised 10/30/13); and Milliman's Quarterly Review & Performance Measurement Report for the period ending December 31, 2014.

CCCERA contracts with 34 investment managers who are responsible for investment of their respective portion of the portfolio. The Investment Policy prescribes investment guidelines to be followed by the investment managers as well as monitoring procedures regarding their performance.

Other Post-Employment Benefits

Overview. The County is the plan sponsor and administers a single-employer defined benefit healthcare plan. This plan provides post-employment medical and dental insurance benefits to eligible retired employees and their dependents. Health benefit provisions for active employees are established and may be amended through negotiations between the County and the respective bargaining units. The County contracts with Kaiser Permanente, Health Net, Contra Costa Health Plans and PERS to provide medical benefits, and Delta Dental and PMI Deltacare for dental benefits.

Actuarial Reports. Since delivery of an initial actuarial report in 2006 prepared by Buck Consultants LLC that presented the actuarial analysis of County liability other post-employment benefits ("OPEB"), the OPEB liability has declined from \$2.6 billion, based upon a 4.5% discount rate as of January 1, 2006, to \$794.4 million, based upon a 5.7% discount rate as of January 1, 2014. The approximately 69% reduction in the OPEB liability is a result of the actions taken by the Board of Supervisors since 2006.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.70% discount rate. This rate was derived based on the fund's investment policy for a partially funded plan. A 6.25% annual return is assumed on the Trust's assets, and a 3.50% discount rate is assumed for liabilities expected to be funded directly by the county. This resulted in a blended discount rate of 5.70%. Overall health costs of the medical benefits will increase

according to the health cost inflation trend derived by using the “Getzen” model developed by the Society of Actuaries. Under the Patient Protection and Affordable Care Act of 2010, a federal excise tax will apply for high cost health benefits beginning in 2018. A margin to reflect the impact of the excise tax in future years is reflected in the assumed trend. The UAAL is being amortized as a level dollar amount over 30 years on a closed basis. The remaining amortization period is 24 years.

Effective January 1, 2015, CCCERA personnel became employees of the County. Their OPEB obligation is included with the County’s data.

Eligibility. Currently, eligible County retirees may participate in the plans upon retirement from the County (drawing a pension from CCCERA). Currently, eligible members in deferred retirement status may participate in County health plans as retirees, so long as they are receiving a pension from CCCERA within 24 months of separation from the County.

The number of County retirees and beneficiaries of County retirees receiving OPEB benefits and the annual required contribution made by the County are set forth in Table B-15.

Table B-15
CONTRA COSTA COUNTY
SUMMARY OF ACTIVE PLAN MEMBERS AND OTHER POST-EMPLOYMENT BENEFIT PLAN
PARTICIPATING RETIREES
(Calendar Years)

<u>Calendar Year</u>	<u>Active Plan Members</u>	<u>Number of Participating Retirees⁽¹⁾</u>
2010	7,338	<u>5,251</u>
2011	7,169	<u>(2)</u>
2012	7,269	<u>5,941</u>
2013	7,735	<u>(2)</u>
2014	7,791	<u>6,206</u>

(1) Represents retirees and beneficiaries of retirees.

(2) Actuarial reports are prepared every two years, therefore data for odd numbered years is not available.

Sources: CCCERA Comprehensive Annual Financial Report for the Years Ended December 2014.

Funding Policy. The contribution requirements for program members and the County are established and may be amended through negotiations between the County and the respective bargaining units. For over 40 years, the County paid for healthcare costs, the funding was based on a pay-as-you-go (“pay-go”) basis. In Fiscal Year 2008-09, the County began making annual contributions in the amount of \$20 million to the OPEB Trust Fund. For the Fiscal Year 2013-14, the funding was based on the pay-go basis plus a contribution of \$19,373,000 to the OPEB Trust Fund. For Fiscal Year ending June 30, 2014, the County paid \$57,272,000 as the pay-go cost (approximately 81.63% of total premiums). Plan members receiving benefits contributed \$12,887,000, or approximately 18.37% of the total premiums, through their required contribution. The contributions for Fiscal Year 2013-14, were as follows:

Table B-16
CONTRA COSTA COUNTY
OTHER POST-EMPLOYMENT BENEFIT PLAN SUMMARY OF CONTRIBUTIONS
FISCAL YEAR ENDING JUNE 30, 2014
(\$ IN THOUSANDS)

	Active <u>Employees</u>	<u>Retirees</u>	<u>Total</u>
Total blended premiums at \$11,305 per plan member	\$0	\$70,159	\$70,159
Employer pre-funding contributions	0	19,373	19,373
Less: member contributions	<u>0</u>	<u>(12,887)</u>	<u>(12,887)</u>
Total Employer Contributions	<u>\$0</u>	<u>\$76,645</u>	<u>\$76,645</u>

Source: Comprehensive Annual Financial Report of the County for the Fiscal Year Ended June 30, 2014.

For Fiscal Year 2014-15, the Board of Supervisors budgeted \$19,440,000 to pre-fund OPEB liabilities.

Allocation of Funds for OPEB. The Board of Supervisors adopted Ordinance No. 2014-04 that, commencing in Fiscal Year 2022-23, redirects pension obligation bond debt service payments to the payment of OPEB costs following the final maturity of the outstanding pension obligation bonds in Fiscal Year 2021-22. Ordinance No. 2014-04 may only be amended by a 4/5 vote of the Board of Supervisors.

Funded Status and Funding Progress. As of January 1, 2014, the most recent actuarial valuation date, the OPEB obligation was 14.0% funded. The actuarial accrued liability for benefits was \$924 million, and the actuarial value of assets was \$129 million, resulting in an unfunded actuarial liability (UAAL) of \$794 million. The covered payroll (annual payroll of active employees covered by the plan) was \$614 million, and the ratio of the unfunded accrued actuarial liability (UAAL) to the covered payroll was 129.42%.

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

Table B-17
CONTRA COSTA COUNTY
OTHER POST-EMPLOYMENT HEALTH BENEFITS
SCHEDULE OF FUNDING PROGRESS
(\$ IN THOUSANDS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b - a) / c)
01/01/2010	\$61,720	\$1,077,734	\$1,016,014	5.73%	\$599,734	169.41%
01/01/2012	65,491	1,033,801	968,310	6.33	595,245	162.67
01/01/2014	129,426	923,848	794,422	14.01	613,841	129.42

Source: Comprehensive Annual Financial Report of the County for the Fiscal Year Ended June 30, 2014.

The County has an agreement with the majority of its bargaining units, for the limited purpose of reopening bargaining over Health, Life & Dental Care, to explore changes effective in the 2016 Plan year. The County is evaluating alternative approaches to sharing health care premiums for the 2016 Plan year, taking into consideration any effect on its budget. In the event the parties fail to reach an agreement by January 1, 2016, the bargaining units reserve the right to strike with respect to the subject of the reopener.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The County charges current costs of these benefits to the department from which the employee retired. The County has determined that the future liability is an obligation of the general government. The County records the accrued liability and expense in the general government classification of the Government-Wide Statement of Net Position and Statement of Activities. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation (\$ in thousands):

Annual required contribution	\$88,538
Interest on net OPEB obligation	27,839
Adjustment to annual required contribution	<u>(35,802)</u>
Annual OPEB cost (expense)	80,575
Contributions made	<u>(76,645)</u>
Increase in net OPEB obligation	3,930
Net OPEB obligation (asset), beginning of year	<u>488,397</u>
Net OPEB obligation (asset), end of year	<u>\$492,327</u>

Source: Comprehensive Annual Financial Report of the County for the Fiscal Year Ended June 30, 2014.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the Fiscal Year June 30, 2014 are set forth in Table B-18:

Table B-18
CONTRA COSTA COUNTY
OTHER POST-EMPLOYMENT BENEFITS PLAN
ANNUAL OPEB COST

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
06/30/2012	\$94,630,000	74.7%	\$471,538,000
06/30/2013	93,780,000	82.0	488,397,000
06/30/2014	80,575,000	95.1	492,327,000

Source: Comprehensive Annual Financial Report of the County for the Fiscal Year Ended June 30, 2014.

The current funding policy is to partially pre-fund the plan with annual trust contributions of approximately \$20 million and future planned increases to this amount while also funding the pay-as-you-go cost of benefits.

Long Term Obligations

The County has never defaulted on the payment of principal or interest on any of its indebtedness. Following is a brief summary of the County's general obligation debt, lease obligations and direct and overlapping debt.

No General Obligation Debt. The County has no direct general obligation bonded indebtedness and has no authorized and unissued general obligation debt.

Lease Obligations. The County has made use of various lease arrangements with private and public financing entities, nonprofit corporations, the County of Contra Costa Public Financing Authority and the Contra Costa County Employees' Retirement Association for the use and acquisition of capital assets. These capital lease obligations have terms ranging from five to 30 years. The longest capital lease ends in 2040. Certain of the lease obligations of the County reflect annual payments made for debt service on lease revenue bonds issued to finance capital projects. As of June 30, 2015, the County had approximately \$252.5 million in lease revenue obligations outstanding. For a summary of the County's outstanding lease revenue obligations, see APPENDIX C—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2014—Notes to General Purpose Financial Statements."

Pension Obligation Bonds. The County issued pension obligation bonds in 1994, a portion of which were restructured in 2001, and again in 2003 (of which \$236.9 million principal amount are outstanding as of June 30, 2015) to refund debentures issued to evidence its statutory obligation to make pension payments with respect to its UAAL to CCCERA. See also "—Pension Plan."

Fiscal Year debt service for the County's lease revenue obligations and pension obligation bonds outstanding as of June 30, 2015 is shown in Table B-19 below.

Table B-19
COUNTY OF CONTRA COSTA
OUTSTANDING LEASE REVENUE OBLIGATIONS AND
PENSION OBLIGATION BONDS

Fiscal Year Ending (June 30)	Total Lease Debt Service ⁽¹⁾	Total POB Debt Service	Total Debt Service
2016	\$34,918,476	\$36,914,526	\$71,833,002
2017	32,517,716	38,484,360	71,002,076
2018	31,992,616	40,114,901	72,107,517
2019	31,873,504	41,821,636	73,695,140
2020	30,349,064	43,600,400	73,949,463
2021	30,345,814	45,452,243	75,798,057
2022	27,803,176	47,382,398	75,185,574
2023	27,765,151	—	27,765,151
2024	17,726,676	—	17,726,676
2025	15,315,043	—	15,315,043
2026	13,644,230	—	13,644,230
2027	12,411,445	—	12,411,445
2028	6,224,985	—	6,224,985
2029	3,183,975	—	3,183,975
2030	3,147,895	—	3,147,895
2031	3,106,580	—	3,106,580
2032	3,054,280	—	3,054,280
2033	2,997,495	—	2,997,495
2034	2,941,225	—	2,941,225
2035	2,885,125	—	2,885,125
2036	2,818,850	—	2,818,850
2037	2,755,700	—	2,755,700
2038	2,691,950	—	2,691,950
2039	2,622,250	—	2,622,250
2040	2,546,600	—	2,546,600
TOTAL ⁽²⁾	<u>\$347,639,820</u>	<u>\$293,770,643</u>	<u>\$641,410,282</u>

(1) Includes debt service on Refunded Bonds. Excludes capital leases, debt service on the 2015 Bonds and federal subsidy receipts for certain Build America Bonds and Recovery Zone Bonds payable by the County. See "PLAN OF FINANCE—Refunding."

(2) Totals may not add due to independent rounding.

Source: County Administrator's Office.

Direct and Overlapping Debt. The County contains numerous municipalities, school districts and special purpose districts, as well as the overlapping East Bay Municipal Utility District, which has issued general obligation bonded and lease indebtedness. Set forth in Table B-20 below is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics Inc. that summarizes such indebtedness as of June 30, 2015. The Debt Report is included for general information purposes only and the County does not guaranty the completeness or accuracy of the information contained in the Debt Report.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the County. Such long-term obligations generally are not payable from revenues of the County (except as indicated) nor are they necessarily obligations secured by land within the County. 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 B-20
CONTRA COSTA COUNTY
DIRECT AND OVERLAPPING BOND DEBT

[Available on 7/17/2015]

Source: California Municipal Statistics, Inc.

Future Capital Projects

The County expects to submit an application for construction grant funding pursuant to Senate Bill 863 (Chapter 37, Statutes of 2014) – “Construction of Adult Local Criminal Justice Facilities” (“SB 863”) for an expansion of the West County Detention Facility in Richmond, California with a focus on rehabilitation and re-entry programming for inmates. Pursuant to SB 863, the State will award up to \$500 million to counties for the acquisition, design, renovation, or construction of adult local criminal justice facilities. The State will allocate available funds to counties through a competitive process. The maximum allocation for large counties, such as the County, is \$80 million. SB 863 requires applicants to provide a minimum 10% match of the total project costs.

The County is also undertaking a comprehensive update of future and existing maintenance needs of certain facilities owned by the County. A draft report identified a 10 year deferred maintenance/capital renewal cost of \$272.2 million when adjusted for surplus and uninhabitable buildings. The County continues to assess this situation.

Insurance and Self-Insurance Programs

The County is exposed to various risks of loss related to liabilities and damages to the public at-large, as well as damage to, loss of, and destruction of assets and has obligations to provide its employees with negotiated and mandated benefits.

The County self-insures its employee dental, state unemployment, management long-term disability, workers’ compensation, automotive liability, public liability, and medical liability exposures. The County reports the activities of these exposures through its internal service funds.

With respect to the workers’ compensation, automotive liability, public liability and medical liability exposures, the County purchases excess insurance:

- Workers’ compensation in excess of \$750,000 per incident, with excess coverage provided by CSAC-EIA (California State Association of Counties Excess Insurance Pooling Fund).
- General and auto liability in excess of \$1 million per incident, to a limit of \$50 million.
- Medical malpractice in excess of \$1 million per incident, to a limit of \$21.5 million.

The County is self-insured for most insurable risk, except for insurance coverage provided by commercial insurance and reinsurance companies that are subject to the following:

- Airports liability and property damage coverage to a limit of \$100 million with no deductible.
- Property insurance - all risk in excess of \$50,000 per incident, to a limit of \$600 million from loss by fire, lightning, and other perils.
- Property insurance - flood damage in excess of 2% per unit, \$100,000 minimum and \$500,000 maximum deductible per incident, to a limit of \$490 million shared aggregate.
- Property insurance - earthquake in excess of 5% per unit, \$100,000 minimum, to a limit of \$490 million shared aggregate.

- Property insurance - terrorism to a limit of \$200 million with a \$500,000 deductible.
- Crime bond coverage in excess of \$100,000 per incident, to a limit of \$20 million for fidelity coverage, computer, and funds transfer fraud.
- Watercraft liability to a limit of \$50 million.
- Sheriff's helicopters to a limit of \$50 million per incident.
- Boiler and machinery to a limit of \$100 million with a \$5,000 deductible.
- Cyber liability coverage in excess of \$100,000 with an aggregate limit of \$2 million.

During the past five years there have been no instances of the amount of claim settlements exceeding excess insurance coverage. All excess coverage insurance policies have an annual coverage period ending July 1, 2015, except for medical malpractice, which is on a two-year coverage cycle ending October 1, 2015, and property insurance, which is on an annual coverage period ending March 31, 2016.

Internal service funds are used to account for the County's self-insurance activities. The County's policy is to provide in each fiscal year, by charges to affected operating funds, amounts sufficient to cover the estimated expenditures for self-insured claims. Charges to operating funds are recorded as expenditures/expenses of such funds and revenues of the internal service funds. Accrual and payment of claims are recorded in the internal service funds.

The County has accrued a liability of \$169,396,000 at June 30, 2014, for all self-insured claims in the internal service funds. The self-insurance reserve is based on actuarially determined amounts for workers' compensation, public and automobile liability, and medical liability and based on management's estimates for all other reserves. The actuarially determined claims liabilities, including incurred but not reported claims are based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends, and any other factors that modify past experience. It also includes incremental claim adjustment expenses. In addition, estimated recoveries on settled and unsettled claims were evaluated in terms of their estimated realizable value and deducted from the liability for unpaid claims.

Health Plans

The County administers two health plans: HMO Medi-Cal and HMO Commercial Plans (Plans); which are reported as enterprise funds. The Plans have fee-for-service arrangements in which providers, including the County Hospital, bill for individual services provided to enrollees. These arrangements result in claim submission by providers subsequent to services being rendered. Claims expenses are presented as part of services and supplies expense in the statement of revenues, expenses, and changes in net position. Estimated liabilities for incurred but not reported claims are presented as part of accounts payable and accrued liabilities in the statement of net position. The provision for claims incurred but not reported claims is developed in-house using principles and assumptions that consider among other things, contractual requirements, historical utilization trends and payment patterns, benefit changes, medical inflation, product mix, seasonality, membership, and other relevant factors.

Changes to the internal service funds' claims liability amount, including medical liability claims payable, for Fiscal Years 2012-13 and 2013-14 are as follows (\$ in thousands):

Liability at June 30, 2012	\$146,622
FY 2012-2013 claims and changes in estimates	62,055
FY 2012-2013 claim payments	<u>(47,819)</u>
Liability at June 30, 2013	160,858
FY 2013-2014 claims and changes in estimates	51,330
FY 2013-2014 claim payments	<u>(42,792)</u>
Liability at June 30, 2014	<u>\$169,396</u>

The actuarially determined claims liabilities, including incurred but not reported claims, are based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends, and any other factors that modify past experience. It also includes incremental claim adjustment expenses. In addition, estimated recoveries on settled and unsettled claims were evaluated in terms of their estimated realizable value and deducted from the liability for unpaid claims.

For additional information on the County's insurance coverage, see APPENDIX C—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2014—NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS."

APPENDIX C

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

APPENDIX D

COUNTY INVESTMENT POLICY



CONTRA COSTA COUNTY TREASURER'S ANNUAL INVESTMENT POLICY

FISCAL YEAR 2014-2015

APPROVED BY THE BOARD OF SUPERVISORS

JUNE 2014

The Contra Costa County Treasurer will annually present to both the Board of Supervisors (Board) and the Treasury Oversight Committee (Committee) a statement of investment policy, which the Board shall review and approve at a public meeting. Any changes in the policy shall also be reviewed and approved by the Board at a public meeting (Gov't Code §53646(a)(1)).

OFFICE OF COUNTY TREASURER-TAX COLLECTOR
625 COURTS STREET, ROOM 100
MARTINEZ, CALIFORNIA 94553

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CONTRA COSTA COUNTY

TREASURER'S ANNUAL INVESTMENT POLICY

1.0 PURPOSE

The purpose of this Investment Policy (Policy) is to establish cash management and investment guidelines of surplus funds entrusted to the care of the Contra Costa County Treasurer's Office (Treasurer's Office) in accordance with applicable sections of California Government Code. All portfolio activities will be judged by the standards of the Policy and its ranking of investment objectives.

2.0 SCOPE

This Policy applies to all funds over which the Treasurer's Office has been granted fiduciary responsibility and direct control for their management.

3.0 PARTICIPANTS

This Policy restricts deposits to those agencies mandated by California Government Code as treasury deposits. However, subject to the consent of the Treasurer's Office and in accordance with section 53684, exemptions may be granted to non-mandatory depositing agencies, if it is determined that the additional deposit provides a benefit to the investment pool as a whole while not creating unmanageable liquidity risk.

4.0 IMPLEMENTATION

In order to provide direction to those responsible for management of surplus funds, the County Treasurer has established this Policy and presented it to the Treasury Oversight Committee and the Board of Supervisors, and has made available the report to the legislative body of local agencies that participates in the County Treasurer's investment program.

The Policy explains investable funds; authorized instruments; credit quality required; maximum maturities and concentrations; collateral requirements; qualifications of broker-dealers and financial institutions doing business with, or on behalf of, the County; limits on gifts and honoraria; the reporting requirements; the Treasury Oversight Committee; the manner of appropriating costs; and the criteria to request withdrawal of funds.

5.0 OBJECTIVES

Gov't Code §53600.5: When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its controls.

5.1 Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and market risk.

5.1.a *Credit Risk*

The Treasurer will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

1. Limiting investments to the safest type of securities

2. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Treasurer's Office will do business
3. Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

5.1.b Market Risk

The Treasurer's Office will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
2. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

5.2 Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

5.3 Yield: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities may be sold prior to maturity when deemed prudent and necessary. Reasons of selling include but not limited to:

1. **A security with declining credit may be sold early to minimize loss of principal.**
2. **A security swap would improve the quality, yield, or target duration in the portfolio.**
3. **Liquidity needs of the portfolio require that the security be sold.**
4. **Portfolio rebalancing would bring the portfolio back into compliance.**

Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

5.4 Public Trust: All investments will be in conformance with state law and county ordinances and policies. The investment of public funds is a task that must maintain the public trust.

6.0 GENERAL STRATEGY

6.1 Buy and Hold: The Treasurer will generally use the passive investment strategy known as BUY AND HOLD whereas securities are purchased with the intent of holding them to maturity. Interest income and the reinvestment of interest income usually are the only sources of return in the portfolio.

The investment program will focus on purchasing securities that will limit or reduce the potential default risk and ensure the reliability of cash flows from interest income. Generally, purchases will be ladderized throughout the portfolio in order to minimize the number and cost of investment transactions.

6.2 Directed Investment: Local agencies may direct the investment, exchange, liquidation and reinvestment of their assets, but must meet the provisions of the investment objectives of this policy. The withdrawal of funds in the Treasury shall coincide with investment maturities or authorized sales of securities by the local agency's legislative or governing body.

7.0 STANDARD OF CARE

The following policies are designed in accordance with Government Code to provide transparency to the investment program while enhancing portfolio controls:

7.1 Prudent Investor Standard: "Governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part to an overall strategy, investments may be acquired as authorized by law." (Gov't Code §53600.3.1)

7.2 Limits on Honoraria, Gifts, and Gratuities

In accordance with California Government Code Section 27133(d), this Policy establishes limits for the Director of Finance; individuals responsible for management of the portfolios; and members of the Investment Group and Review Group who direct individual investment decisions, select individual investment advisors and broker/dealers, and conduct day-to-day investment trading activity. The limits also apply to members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of \$50 in a calendar year from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms.

No individual may receive aggregate gifts, honoraria, and gratuities in a calendar year in excess of the amount specified in Section 18940.2(a) of Title 2, Division 6 of the California Code of Regulations. This limitation is \$440 for the period January 1, 2013, to December 31, 2014. Any violation must be reported to the State Fair Political Practices Commission.

Please refer to the Contra Costa County Treasurer-Tax Collector's Conflict of Interest Code for further explanation of the prohibited activities, and their enforcements and exceptions.

7.3 Delegation of Authority

7.4.a Subject to Section 53607, the board of supervisors may, by ordinance, delegate to the county treasurer the authority to invest or reinvest the funds of the county and the funds of other depositors in the county treasury, pursuant to Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5. The county treasurer shall thereafter assume full responsibility for those transactions until the board of supervisors either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, as provided in Section 53607 (Gov't Code §27000.1).

7.4.b The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or

expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year (Gov't Code §53607).

7.4.c Responsibility for the operation of the investment program is hereby delegated to the County Treasurer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the County Treasurer.

7.5 Treasury Oversight Committee: In compliance with a Board Order of the Contra Costa County Board of Supervisors, the County Contra Costa County Treasury Oversight Committee was established in November 6 of 1995. The intent of the Committee is to allow local agencies, including school districts, as well as the public, to participate in reviewing the policies that guide the investment of public funds. The mandate for the existence of the Committee was suspended in 2004 by the State of California; however, the Committee serves an important function and the Treasurer's Office has elected to continue the program.

7.5.a The Committee shall annually review and monitor the County's Investment Policy.

7.5.b The Committee shall cause an annual audit to determine the County Treasurer's compliance with the Investment Policy and all investment funds in the county Treasury.

8.0 SAFEKEEPING AND CUSTODY

8.1 Delivery vs. Payment: All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the County Treasurer's safekeeping institution prior to the release of funds.

8.2 Third-party Safekeeping: Securities will be held by an independent third-party safekeeping institution selected by the County Treasurer. All securities will be evidenced by safekeeping receipts in the County's name or in a name designated by the County Treasurer. The safekeeping institution shall annually provide a copy of its most recent report on internal controls - Service Organization Control Reports (formerly 70, or SAS 70) prepared in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16 (effective June 15, 2011.)

8.2.a A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered or non-registered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisors, consultants or managers using the agency's funds, by book entry, physical delivery or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term of remaining maturity at the time of

the investment, no investment shall be made in any security other than a security underlying a repurchase or reverse repurchase agreement authorized by this section.

8.2.b In compliance with this section, the securities of Contra Costa County and its agencies shall be in safekeeping at The Bank of New York Trust Company, N. A., a counterparty bank's trust department or as defined in the debt indenture and contract.

8.3 Internal Controls: The County Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Treasurer are protected from loss, theft or misuse. Specifics for the internal controls shall be documented in an investment procedures manual that shall be reviewed and updated periodically by the County Treasurer.

The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

9.0 AUTHORIZED BROKERS/DEALERS AND FINANCIAL INSTITUTIONS

9.1 All transactions initiated on behalf of the Pooled Investment Fund and Contra Costa County shall be executed only through one of the following:

1. Government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York;
2. Banks and financial institutions that directly issue their own securities which have been placed on the Approved List of Broker/Dealers and Financial Institutions;
3. Brokers/dealers in the State of California approved by the County Treasurer based on the reputation and expertise of the company and individuals employed.

Broker/dealers and financial institutions which have exceeded the political contribution limits as contained in Rule G-37 of the Municipal Securities Rulemaking Board within a four year period to the County Treasurer or an member of the governing board of a local agency or any candidate for those offices, are prohibited from the Approval List of Broker/Dealers and Financial Institutions.

9.2 Qualifications: All financial institutions and broker/dealers who desire to become qualified for investment transactions must complete Contra Costa County Treasurer's Office Broker/Dealer Due Diligence Questionnaire which can be obtained at www.cctax.us. An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Treasurer's Office.

9.3 List of Approved Financial Institutions, Security Brokers and Dealers

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness and qualifications stated in section 9.2. However, the County Treasury will not be limited to the financial institutions and brokers/dealers on the list. Others will be included as long as conditions for authorized financial institutions and brokers/dealers set forth in this Policy are met. Additionally, deletions and additions are based on the maintenance of required credit quality as rated by a nationally recognized statistical-rating organization (NRSRO) or reliable financial sources.

10.0 SUITABLE AND AUTHORIZED INVESTMENTS

10.1 Authorized Investment Types: (Gov't Code §53601 et seq.) The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate

needs of the local agency may invest any portion of the moneys that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

- 10.1.a Bonds issued by the local agencies**, including bonds payable solely out of the revenues from a revenue-producing property, owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.
- 10.1.b United States Treasury notes, bonds, bills or certificates of indebtedness**, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- 10.1.c Registered state warrants or treasury notes or bonds of this state**, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency or authority of the state.
- 10.1.d Registered treasury notes or bonds of any of the other 49 states** in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
- 10.1.e Bonds, notes, warrants or other evidences of indebtedness of any local agency within this state**, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency, or by a department, board, agency or authority of the local agency.
- 10.1.f Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments**, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- 10.1.g Bankers acceptances otherwise known as bills of exchange or time drafts** drawn on and accepted by a commercial bank. Purchases of banker's acceptances may not exceed 180 days' maturity or 40 percent of the agency's money that may be invested pursuant to this section. However, no more than 30 percent of the agency's money may be invested in the banker's acceptances of any one commercial bank pursuant to this section. This subdivision does not preclude a municipal utility district from investing any

money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6, commencing with Section 11501, of the Public Utilities Code).

10.1.h Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

1. The entity meets the following criteria:
 - A. Is organized and operating in the United States as a general corporation.
 - B. Has total assets in excess of five hundred million dollars (\$500,000,000).
 - C. Has debt other than commercial paper, if any, that is rated “A” or higher by a nationally recognized statistical-rating organization (NRSRO).
2. The entity meets the following criteria:
 - A. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - B. Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
 - C. Has commercial paper that is rated “A-1” or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635:

- i. Not more than 40 percent of the local agency’s money may be invested in eligible commercial paper.
- ii. Not more than 10 percent of the total assets of the investments held by a local agency may be invested in any one issuer’s commercial paper.

10.1.a Negotiable certificates of deposit issued by a nationally- or state-chartered bank or a savings association or federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency’s money that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposits do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the money are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decision making authority in the administrative office, manager’s office, budget office, auditor-controller’s office, or treasurer’s office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

10.1.b Repurchase and reverse repurchase agreements

1. Investments in **repurchase agreements** or **reverse repurchase agreements** of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.
2. Investments in repurchase agreements may be made on any investment authorized in this section when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.
3. Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:
 - A. The security to be sold using a reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.
 - B. The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.
 - C. The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.
 - D. Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.
4. Prior approval of the governing body; only with primary dealers:
 - A. Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.
 - B. For purposes of this policy, "significant banking relationship" means any of the following activities of a bank:
 - i. Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.
 - ii. Financing of a local agency's activities.

iii. Acceptance of a local agency's securities or funds as deposits.

5. Definitions and terms of repos, securities and securities lending:

- A. "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.
- B. "Securities," for purposes of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.
- C. "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.
- D. "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.
- E. For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.
- F. For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

10.1.c Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

10.1.d Shares of beneficial interest

- 1. Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities

underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.

2. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).
3. If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:
 - A. Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
 - B. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars (\$500,000,000).
4. If investment is in shares issued pursuant to paragraph (2), the company shall have met the following criteria:
 - A. Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.
 - B. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars (\$500,000,000).
5. The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's money that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

10.1.e Moneys held by a trustee or fiscal agent and pledged to the payment of security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are not specific statutory provision, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

10.1.f Notes, bonds, or other obligations that are at all times secured by a valid first-priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

10.1.g Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

10.1.h Shares of beneficial interest issued by a joint power authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (n), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing shares shall have retained an investment adviser that meets all of the following criteria:

1. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
2. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (n) inclusive.
3. The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

11.0 RESTRICTIONS AND PROHIBITIONS

11.1 Restrictions set by the Treasurer

11.1.a All investments purchased by the Treasurer's Office shall be of investment grade. The minimum credit rating of purchased investments shall be as defined by Government Code 53600 et. seq.

11.1.b All legal securities issued by a tobacco-related company are prohibited. A tobacco-related company is defined as 1) an entity that makes smoking products from tobacco used in cigarettes, cigars and/or snuff, or for smoking in pipes or 2) a company that has total revenues of 15 percent or more from the sale of such tobacco products. The tobacco-related issuers restricted from any investment are Alliance One, Altria Group, Inc., Auri Inc., British American Tobacco PLC, Imperial Tobacco Group PLC, Kirin International Holding Inc., Lorillard, Philip Morris International, Reynolds American, Inc., Schweitzer-Mauduit International Inc., Smokefree Innotec Inc., Star Scientific Inc., Universal Corp., and Vector Group, Ltd. Annually the Treasury staff will update the list of tobacco-related companies.

11.1.c Financial futures or financial option contracts will each be approved on a per trade basis by the County Treasurer.

11.1.d Reverse repurchase agreements will be used strictly for the purpose of supplementing income with a limit of 10 percent of the total portfolio with prior approval of the Treasurer.

11.1.e SBA loans require prior approval of the Treasurer in every transaction.

11.1.f Securities purchased through brokers will be held in safekeeping at The Bank of New York Trust Company, N.A. or as designated by the specific contract(s) for government securities and tri-party repurchase agreements.

11.1.g Swaps and Trades will each be approved on a per-trade basis by Treasurer or Assistant Treasurer.

11.1.h Bank CDs or non-negotiable CDs will be collateralized at 110 percent by government securities or 150 percent by current mortgages. There will be no waiver of the first \$100,000 collateral except by special arrangement with the Treasurer.

11.2 Prohibitions by Government Code (§53601.6)

11.2.a A local agency shall not invest any funds pursuant to this Article or pursuant to Article 2 (commencing with Section 53630) in inverse floaters, range notes or interest-only strips that are derived from a pool of mortgages.

11.2.b A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.) that are authorized for investment pursuant to subdivision (l) of Section 53601.

12.0 INVESTMENT PARAMETERS

12.1 Diversification: Investments shall be diversified so as to minimize the risk of loss and to maximize the rate of return by:

1. Limiting investment to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
2. Limiting investment in securities that have higher credit risks,
3. Investing in securities with varying maturities, and
4. Continuously investing a portion of the portfolio in readily available funds such as investment pools, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

12.2 Maximum Maturities: To the extent possible, the County Treasurer shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The Treasurer shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as LAIF, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

12.3 Exception to Maximum Maturity: In accordance with Government Code §53601 the County Treasurer retains the right to petition the Board of Supervisors for approval to invest in securities with a final maturity in excess of five years. The Board of Supervisors adoption of any resolution allowing maturities beyond five years shall be considered an allowed modification to this policy and any investments made in accordance with the modification shall be allowable under this policy.

12.4 Investment Criteria¹: All limitations set forth in this Policy are applicable only at the time of purchase. The County Treasurer has the full discretion to rebalance the portfolio when it is out of compliance owing to various reasons, such as market fluctuation.

INVESTMENT TYPE	MAXIMUM % of PORTFOLIO	MAXIMUM MATURITY	MAXIMUM % of ISSUE	OTHER RESTRICTIONS
Bonds issued by local agencies, §53601 (a)	100%	5 years	100%	
U.S. Treasury Obligations, §53601 (b)	100%	5 years	100%	
Registered State Warrants, and CA Treasury Notes and bonds, §53601 (c)	100%	5 years	100%	
Registered Treasury Notes or Bonds of any of the other 49 state in addition to CA, §53601 (d)	100%	5 years	100%	
Bonds and Notes issued by other local agencies in California, §53601 (e)	100%	5 years	100%	
Obligations of U.S. Agencies or government sponsored enterprises, §53601 (f)	100%	5 years	100%	
U.S. Agencies Callables	100%	5 years	25%	
Bankers Acceptances), §53601 (g) *Domestic: (\$5B min. assets) *Foreign: (\$5B min. assets)	40% 40%	180 days 180 days	30% Aggregate 5% Aggregate	
Commercial paper, §53601 (h) and §53635 (a)	40%	270 days or less	10% Aggregate	No more than 10 % of the local agency's money may be invested in the outstanding commercial paper of any single issuer.
Negotiable Certificates of Deposit (\$5 billion minimum assets), §53601 (i)	30%	5 years	10% Aggregate	
Repurchase Agreements secured by U.S. Treasury or agency obligation (102% collateral), §53601 (j)	100%	1 year	See limitations for Treasuries and Agencies above	Generally limited to Wells Fargo Bank, Bank of America or other institutions with whom the County treasury has executed tri-party agreements. Collateral will be held by a third party to the transaction that may include the trust department of particular banks. Collateral will be only securities that comply with Government Code 53601.
Reverse Repurchase Agreements and Securities Lending Agreements, §53601 (j)	20%	92 days	See limitations for Treasuries and Agencies above	
Corporate bonds, Medium Term Notes & Covered, §53601 (k)	30%	5 years	5% Aggregate	
Shares of beneficial interest issued by diversified mgt. companies §53601 (l)	20%	N/A	10% Aggregate	
Moneys held by a trustee or fiscal agent, §53601 (m)	20%	N/A		
Collateralized Notes, Bonds, Time Deposits, or other obligations,	15%	5 years	5% Aggregate	Collateralized by the eligible securities at a percentage specified in Government Code

¹ The rating requirement for each investment type is referenced in the relevant sections of California Government Code.

INVESTMENT TYPE	MAXIMUM % of PORTFOLIO	MAXIMUM MATURITY	MAXIMUM % of ISSUE	OTHER RESTRICTIONS
§53601 (n)				53652.
Mrtg Backed Securities/CMO's:	20%	5 Years	5%	<u>No</u> Inverse Floaters
Asset Backed Securities	20%	5 Years	Aggregate	<u>No</u> Range Notes
§53601 (o)				<u>No</u> Interest only strips derived from a pool of mortgages
Joint Powers Authority, CalTRUST, §53601 (P)	As limited by CalTRUST	N/A	As limited by CalTRUST	
Local Agency Investment Fund (LAIF), §16429.1	As Limited by LAIF	N/A	As limited by LAIF	

13.0 CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF)

13.1 General Information (Gov't Code §16305.9).

- 13.1.a** All money in the Local Agency Investment Fund shall be held in trust in the custody of the State Treasurer.
- 13.1.b** All money in the Local Agency Investment Fund is nonstate money. That money shall be held in a trust account or accounts. The Controller shall be responsible for maintaining those accounts to record the Treasurer's accountability, and shall maintain a separate account for each trust deposit in the Local Agency Investment Fund.
- 13.1.c** That money shall be subject to audit by the Department of Finance and to cash count as provided for in Sections 13297, 13298, and 13299. It may be withdrawn only upon the order of the depositing entity or its disbursing officers. The system that the Director of Finance has established for the handling, receiving, holding, and disbursing of state agency money shall also be used for the money in the Local Agency Investment Fund.
- 13.1.d** All money in the Local Agency Investment Fund shall be deposited, invested, and reinvested in the same manner and to the same extent as if it were state money in the State Treasury.

13.2 Investment and Distribution of Deposits (§16429.1).

- 13.2.a** There is in trust in the custody of the Treasurer the Local Agency Investment Fund, which fund is hereby created. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.
- 13.2.b** Notwithstanding any other provisions of law, a local governmental official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.
- 13.2.c** Notwithstanding any other provisions of law, an officer of any nonprofit corporation whose membership is confined to public agencies or public officials, or an officer of a qualified quasi-governmental agency, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.
- 13.2.d** Notwithstanding any other provision of law or of this section, a local agency, with the approval of its governing body, may deposit in the Local Agency Investment Fund proceeds of the issuance of bonds, notes, certificates of participation, or other evidences of indebtedness of the agency pending expenditure of the proceeds for

the authorized purpose of their issuance. In connection with these deposits of proceeds, the Local Agency Investment Fund is authorized to receive and disburse moneys, and to provide information, directly with or to an authorized officer of a trustee or fiscal agency engaged by the local agency, the Local Agency Investment Fund is authorized to hold investments in the name and for the account of that trustee or fiscal agent, and the Controller shall maintain a separate account for each deposit of proceeds.

- 13.2.e** The local governmental unit, the nonprofit corporation, or the quasi-governmental agency has the exclusive determination of the length of time its money will be on deposit with the Treasurer.
- 13.2.f** The trustee or fiscal agent of the local governmental unit has the exclusive determination of the length of time proceeds from the issuance of bonds will be on deposit with the Treasurer.
- 13.2.g** The Local Investment Advisory Board shall determine those quasi-governmental agencies which qualify to participate in the Local Agency Investment Fund.
- 13.2.h** The Treasurer may refuse to accept deposits into the fund if, in the judgment of the Treasurer, the deposit would adversely affect the state's portfolio.
- 13.2.i** The Treasurer may invest the money of the fund in securities prescribed in Section 16430. The Treasurer may elect to have the money of the fund invested through the Surplus Money Investment Fund as provided in Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2.
- 13.2.j** Money in the fund shall be invested to achieve the objective of the fund, that is to realize the maximum return consistent with safe and prudent treasury management.
- 13.2.k** All instruments of title of all investments of the fund shall remain in the Treasurer's vault or be held in safekeeping under control of the Treasurer in any federal reserve bank, or any branch thereof, or the Federal Home Loan Bank of San Francisco, with any trust company, or the trust department of any state or national bank.
- 13.2.l** Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units or trustees or fiscal agents, nonprofit corporations, and quasi-governmental agencies in amounts directly proportionate to the respective amounts deposited in the Local Agency Investment fund and the length of time the amounts remained therein. An amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of one-half of one percent of the earnings of this fund, shall be deducted from the earnings prior to distribution. The amount of this deduction shall be credited as reimbursements to the state agencies having incurred costs in carrying out the provisions of this section.
- 13.2.m** The Treasurer shall prepare for distribution a monthly report of investments made during the preceding month.

14.0 PORTFOLIO MANAGEMENT ACTIVITY

14.1 Passive Portfolio Management:

(See Section 6.0., General Strategy)

14.2 Competitive Bidding:

Investments will be purchased in the most cost effective and efficient manner by using a competitive bidding process for the purchase of securities. Competitive bidding is required from a pre-approved list of broker/dealers on all investment transactions except for new issue securities.

14.3 Reviewing and Monitoring of the Portfolio:

Monthly reports will review portfolio investments to ensure they are kept track of in a timely manner. The reports will also monitor the County Treasurer's investment practices and the results of such practices.

14.4 Portfolio Adjustments:

Certain actions may be taken if the portfolio becomes out of compliance. For instance, should a concentration limitation be exceeded due to an incident such as a fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses; however, the County Treasurer may choose to rebalance the portfolio earlier to bring it back into compliance if the portfolio will not suffer any losses for selling the investment prior to maturity.

14.5 Performance Standards:

The investment portfolio will be managed in accordance with the parameters specified within this Policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

15.0 REPORTING

15.1 Methodology: The County Treasurer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the County Treasurer to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report shall be provided to the Chief Administrative Officer, the County Auditor, the Board of Supervisors, Treasury Oversight Committee and any pool participants [Government Code 27133(e), and 53646(b)]. The report will include the following:

1. The type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and moneys held by the County Treasurer
2. A description of any of the local agency's funds, investments, or programs that are under the management of contracted parties, including lending programs.
3. A current market value as of the date of the report of all securities held by the local agency, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, and the source of this same valuation.
4. A statement that the portfolio is in compliance with the investment policy, or the manner in which the portfolio is not in compliance.
5. A statement denoting the ability of the County Treasurer to meet its pool's expenditure requirements for the next six months, or an explanation as to why sufficient money shall, or may, not be available.

6. Listing of individual securities by type and maturity date held at the end of the reporting period.
 - A. PLEDGE REPORT: Any securities that are pledged or loaned for any purpose shall be reported in the Quarterly Investment Report. The transaction detail will be provided, including purpose, beginning and termination dates and all parties to the contract. The security descriptions as to type, name, maturity date, coupon rate, CUSIP and other material information will be included.
 - B. REVERSE REPURCHASE AGREEMENTS REPORT: All reverse repurchase agreements entered into, whether active or inactive by the end of each quarter, shall be reported in the Treasurer's Quarterly Investment Report.
 7. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity.
 8. Average maturity and duration of portfolio on investments as well as the yield to maturity of the portfolio as compared to applicable benchmarks.
 9. Percentage of the total portfolio which each type of investment represents.
 10. Whatever additional information or data may be required by the legislative body of the local agency.
- 15.2 Marking to Market:** The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed on a regular basis.

16.0 COMPENSATION

In accordance with Government Code §§27013 and 53684, the County Treasurer will charge all pool participants for administrative and overhead costs. Costs include, but are not limited to, employee salaries and benefits, portfolio management, bank and custodial fees, software maintenance fees and other indirect costs incurred from handling and managing funds. In addition, when applicable, the costs associated with the Treasury Oversight provisions of Government Code §§ 27130-27137 shall be included as administrative costs. Costs will be deducted from interest earnings on the pool prior to apportioning and payment of interest. The County Treasurer shall annually prepare a proposed budget providing a detailed itemization of all estimated costs which comprise the administrative fee charged in accordance with Government Code §27013. The administrative fee will be subject to change. Fees will be deducted from interest earnings.

- 16.1 Deduction of Costs:** The County Treasurer deducts actual costs and makes any adjustments from the interest earning and apportions the remaining earnings to all participants based on the positive average daily balance.

17.0 CALCULATING AND APPORTIONING POOL EARNINGS

The Investment Pool Fund is comprised of monies from multiple units of the County, agencies, school districts and special districts. Each entity has unique cash flow demands, which dictate the type of investments the Treasurer's Office may purchase. To ensure parity among the pool members when apportioning interest earnings, the following procedures have been developed:

1. Interest is apportioned on at least a quarterly basis in accordance with Government Code §53684.

2. Interest is apportioned to pool participants based on the participant's average daily fund balance and the total average daily balance of deposits in the investment pool.
3. Interest is calculated on an accrual basis for all investments in the County Treasurer's investment pool and reported to the Auditor-Controller for distribution into the funds of the participants.
4. Specific fee schedules are as follow:
 - A. **Regular and Routine Investments**²

\$20 per investment transaction; i.e., \$20 at placement and \$20 at maturity.

.00333 of interest income; i.e., \$3.33 per \$1,000 of interest income.

The above is charged quarterly by journal entry.
 - B. **Special Reports and Research:** Actual staff time and materials.
 - C. **Special Bank Transactions:** Actual bank fee schedule, staff time and materials.
5. Negative average daily fund balance will be charged interest at the rate of interest that is being apportioned.

18.0 DEPOSITS AND WITHDRAWALS IN THE TREASURY

18.1 Deposit by Voluntary Participants

Following are the terms and conditions for deposit of funds for investment purposes by voluntary participants, i.e. entities that are not legally required to deposit their funds in the County Treasury.

- 18.1.a Resolution by the County Board of Supervisors authorizing the acceptance of outside participants by the County Treasury.
- 18.1.b Resolution by the legislative or governing body of the local agency (voluntary participant) authorizing the investment of funds pursuant to Government Code 53684.
- 18.1.c Treasury investments will be directed transactions. For each transaction, the local agency (voluntary participant) must indicate the fund source, the amount to be invested and the duration of the investment.

18.2 Withdrawal Request

The Treasurer's Office has established the Withdrawal of Funds Policy for all Treasury Investment Pool participants who seek to withdraw funds from the County Treasury Investment Pool for various purposes. In accordance with California State Government Code Section 27136, all participants having funds on deposit in the Pool and seeking to withdraw their funds, shall first submit a formal written request to the County Treasurer. The County Treasurer shall evaluate the withdrawal proposals of all Pool participants upon receipt of the written requests. The evaluation process may take up to 30 days. The County Treasurer reserves the right to reject any request for withdrawal if it is in the Treasurer's opinion after thorough evaluation, that the withdrawal will violate applicable laws and/or governing documents, compromise Treasurer's fiduciary responsibility, adversely impact the stability of the Pool, or harm the interests of any Pool Participant. Such rejection shall prevent the withdrawal of the funds.

Typically, participants make withdrawals for the following two reasons: a) regular operations and b) investing or depositing funds outside the Pool in accordance with California State Government Code Section 27136 (a). The County Treasurer seeks to honor all written

² Applies to directed investments as described in Section 6.2 of the Policy.

withdrawal requests for regular operating purposes that are approved by the County Auditor-Controller's Office in a timely fashion. However, the County Treasurer recognizes that occasionally the Pool participants may request large amounts in withdrawals to cover unexpected operational needs. To accommodate such withdrawals and allow for adequate time for adjustments to the liquidity position of the Pool, the County Treasurer expects all Pool Participants to submit their written requests within the following timeframes:

- i) Withdrawals of Up to \$1 million – prior to 8:00 a.m. for same day disbursement
- ii) Withdrawals of between \$1 million to \$10 million – 1 business day in advance of disbursement
- iii) Withdrawals of more than \$10 million – 3 business day in advance of disbursement

Withdrawals of investment deposits from the County Treasury Investment Pool by any Pool participant shall coincide with investment maturities and/or authorized sale of securities by authorized personnel of the Pool Participant. Except for funds in the California State Local Agency Investment Fund, a five-business-days notification may be required when authorized sale of securities is involved. In the event that the Treasurer must liquidate investments in order to honor the withdrawal request, the Participant who requests the withdrawal shall be subject to all expenses associated with the liquidation, including, but not limited to loss of principal and interest income, withdrawal penalties, and associated fees.

To maintain full fiduciary responsibility for investment and administration of the Pool, the County Treasurer shall NOT permit statutory participants to withdraw funds from and subsequently deposit the funds outside the Pool for the purpose of investments without prior approval of the County Treasurer. As permitted by the Government Code Section 53635, upon request the County Treasurer may enter into an investment agreement with a third party investment manager on behalf of statutory participants. However, the funds shall remain in the Pool during the entire agreement period under the care of the custodian bank retained by the County Treasurer.

Voluntary participants may withdraw funds from and subsequently deposit the funds outside the Pool for investment purposes upon the County Treasurer's approval. However, such withdrawals shall be made for the entire amount of the participant's funds deposited in the Pool. Upon completion of such withdrawals, the voluntary participants will no longer be able to participate in the Pool or receive further services from the County Treasurer's Office. NO partial withdrawals from the Pool for investment purposes are permitted.

Please refer to Withdrawal of Funds Policy, which is maintained as a separate document, for detailed guidelines and procedures.

19.0 TEMPORARY BORROWING OF POOL FUNDS

Section 6 of Article XVI of the California Constitution provides in part that "the treasurer of any city, county, or city and county shall have power and the duty to make such temporary transfers from the funds in custody as may be necessary to provide funds for meeting the obligations incurred for maintenance purposes by city, county, city and county, district, or other political subdivision whose funds are in custody and are paid out solely through the treasurer's office."

The County Auditor-Controller and the County Treasurer shall make a temporary transfer of funds to the requesting agency, not to exceed 85% of the amount of money which will accrue to the agency during the fiscal year, provided that the amount of such transfer has been determined by the County Auditor-Controller to be transferable under the constitutional and statutory provisions cited in Article XVI and has been certified by the County Treasurer-Tax Collector to be available. Such temporary transfer of funds shall not be made prior to the first day of the fiscal year nor after the last Monday in April of the current fiscal year.

20.0 INVESTMENT OF BOND PROCEEDS

The County Treasurer shall invest bond proceeds using the standards of this Investment Policy. The bond proceeds will be invested in securities permitted by the bond documents. If the bond documents are silent, the bond proceeds will be invested in securities permitted by this Policy.

21.0 DISASTER RECOVERY PLAN

The Contra Costa County Treasurer's Disaster Recovery Plan includes critical phone numbers and addresses of key personnel as well as active bankers and brokers/dealers. Laptops, tablets, smart phones, and other equivalent electronic devices shall be issued to key personnel for communicating between staff, bank and broker/dealers. Copies of the plan shall be distributed to the investment staff: Assistant County Treasurer, the Treasurer's Investment Officer, and the Investment Operations Analyst. The investment staff shall interact with one another by home phone, cell phone, or e-mail to decide an alternate location from which to conduct daily operations.

In the event investment staff is unable to conduct normal business operations, the custodial bank will automatically sweep all uninvested cash into an interest bearing account at the end of the business day. Until normal business operations have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this investment policy.

22.0 POLICY CONSIDERATIONS

22.1 Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

22.2 Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the County Treasurer and any other appropriate authority.

AUTHORIZATION FOR LAIF INVESTMENTS

C.67

THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA

and for Special Districts, Agencies and Authorities Governed by the Board

Adopted this Resolution on 04/03/2012 by the following vote:

AYES: ☒ 4 John Gioia
Mary N. Piepho
Karen Mitchoff
Federal D. Glover
NOES: ☐
ABSENT: ☒ 1 Gayle B. Uilkema
ABSTAIN: ☐
RECUSE: ☐



Resolution No. 2012/129

Resolution of Contra Costa County an in accordance with California Government Code Section 16429.1 Authorizing Investment of Monies in the Local Agency Investment Fund (Account #99-07-000)

WHEREAS, Pursuant to Chapter 730 of the statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Supervisors does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein as in the best interests of the CONTRA COSTA COUNTY.

NOW THEREFORE, BE IT RESOLVED, that the Board of Supervisors does hereby authorize the deposit and withdrawal of CONTRA COSTA COUNTY monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard.

BE IT FURTHER RESOLVED, that the following CONTRA COSTA COUNTY officers or their successors in office shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund:

Russell V. Watts,
Treasurer-Tax Collector

(SIGNATURE)

Brice Bins,
Chief Deputy Treasurer-Tax Collector

(SIGNATURE)

Belinda Zhu,
Assistant Treasurer

(SIGNATURE)

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

Contact: Brice Bins, 925-957-2848

ATTESTED: April 3, 2012

David J. Twa, County Administrator and Clerk of the Board of Supervisors

By:
David J. Twa, Deputy

cc:

APPROVED BROKERS

ABN AMRO, Incorporated
Alamo Capital
Bank of America Merrill Lynch
Bank of the West
Barclays Capital, Incorporated
California Arbitrage Management Program
Citigroup Global Markets
Credit Suisse
Daiwa Capital Markets America Inc.
Goldman, Sachs & Company
Government Perspectives
JP Morgan Securities LLC
Penserra Securities LLC
Prudential Securities, Incorporated
Public Financial Management, Incorporated
RBC Capital Markets, LLC
UBS Financial Services, Inc.
UnionBanc Investment Services
Wells Fargo Securities

Note: The County Treasury will not be limited to the above list. Others will be included as long as all conditions for authorized brokers and/or dealers set forth in this policy are met. Additionally, deletions and additions are based on many factors including the maintenance of required credit quality as rated by Standard and Poor's, Moody's and other recognized rating services and reliable financial sources.

APPROVED ISSUERS

Abbey National NA	PepsiCo, Inc.
American Honda Finance	PNC Bank NA
Australia & New Zealand Banking Group	Prudential
Bank of Montreal	Procter & Gamble Company
Bank of Nova Scotia	Rabobank Nederland New York
BNP Paribas	Royal Bank of Canada
Chevron	Sciete Generale North America
Coca-Cola Co	Standard Chartered Bank
Commonwealth Bank of Australia	State Street Bank & Trust Co
Credit Agricole SA	Svenska Handelsbanken AB
Deer & Company	Toronto-Dominion Bank
Deutsche Bank Financial LLC	Toyota Motor Credit Corp
Exxon Mobil	UBS Financial
General Electric Capital Corp	Union Bank
General Electric Co	US Bankcorp
JPMorgan Chase & Co	Walmart
John Deere Capital Corporation	Walt Disney Company
Johnson & Johnson	Wells Fargo Bank NA
McDonald's Corporation	Westpac Banking Corp
National Australia Bank	Westamerica Bank
Nestle Capital Corp	
Nordea Bank AB	

Note: The County Treasury will not be limited to the above list in making investments. Other issuers may be considered as the County Treasury will perform additional due diligence on each investment decision. The list does not reflect the actual portfolio holdings managed by the County Treasury.

APPROVED PRIMARY DEALERS

Bank of Nova Scotia, New York Agency
BMO Capital Markets Corp.
BNP Paribas Securities Corp.
Barclays Capital Inc.
Cantor Fitzgerald & Co.
Citigroup Global Markets, Inc.
Credit Suisse Securities (USA) LLC
Daiwa Capital Markets America Inc.
Deutsche Bank Securities Inc.
Goldman, Sachs & Co.
HSBC Securities (USA) Inc.
Jefferies & Company, Inc.
J.P. Morgan Securities, Inc.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Mizuho Securities USA Inc.
Morgan Stanley & Co. Incorporated
Nomura Securities Inc.
RBC Capital Markets, LLC
RBS Securities Inc.
SG Americas Securities, LLC
TD Securities (USA) LLC
UBS Securities LLC.

Note: The above list consists of primary dealers that serve as trading counterparties of the Federal Reserve Bank of New York in its implementation of monetary policy. These primary dealers are required to participate in all auctions of U.S. government debt. Treasury Staff will perform additional due diligence on each investment decision, and hence, may or may not use the primary dealers listed above.

GLOSSARY OF TERMS

ACCRUED INTEREST The accumulated interest due on a bond as of the last interest payment made by the issuer.

AGENCY A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

AMORTIZATION The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

AVERAGE LIFE The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

BANKERS ACCEPTANCES A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank “accepts” such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. The commercial bank assumes primary liability once the draft is accepted.

BASIS POINT A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of one percent of yield. For example, if interest rates increase from 8.25% to 8.50%, the difference is referred to as a 25-basis-point increase.

BENCHMARK A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investment.

BID The indicated price at which a buyer is willing to purchase a security or commodity.

BLUE SKY LAWS Common term for state securities law, which vary from state to state. Generally refers to provision related to prohibitions against fraud, dealer and broker regulations and securities registration.

BOND A bond is essentially a loan made by an investor to a division of the government, a government agency or a corporation. The bond is a promissory note to repay the loan in full at the end of a fixed time period. The date on which the principal must be repaid is called the maturity date or maturity. In addition, the issuer of the bond, that is the agency or corporation receiving the loan proceeds and issuing the promissory note, agrees to make regular payments of interest at a rate initially stated on the bond. Bonds are rated according to many factors, including cost, degree of risk and rate of income.

BOOK VALUE Refers to value of a held security as carried in the records of an investor. May differ from current market value of the security.

BROKER/DEALER Any person engaged in the business of effecting transaction in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in

the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

CALLABLE BOND A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CALL PRICE The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for the loss of income and ownership.

CALL RISK The risk to the bondholder that a bond may be redeemed prior to maturity.

CASH SALE/PURCHASE A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

CERTIFICATES OF DEPOSIT (CD) Certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified rate of return. They are issued in two forms, negotiable and non-negotiable.

CLEAN UP CALL An action of a debt instrument issuer requiring early redemption of the instrument to reduce its own administrative expenses. This normally occurs when the principal outstanding is significantly reduced to a small amount, e.g., less than 10% of the original issue.

COLLATERALIZATION Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

COMMERCIAL PAPER Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

CONVEXITY A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

COUPON RATE The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

CREDIT QUALITY The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

CREDIT RISK The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD (CURRENT RETURN) A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

CUSIP NUMBERS CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed

on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

DELIVERY VERSUS PAYMENT (DVP) A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

DERIVATIVE SECURITY Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT The amount by which the par value of a security exceeds the price paid for the security.

DIVERSIFICATION A process of investing assets among a range of security types by sector, maturity, and quality rating.

DURATION A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

EARNINGS APPORTIONMENT The quarterly interest distribution of the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool

FAIR VALUE The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS (FED FUNDS) Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE Interest rate charged by one institution lending federal funds to the other.

FEDERAL OPEN MARKET COMMITTEE (FOMC) This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FIDUCIARY An individual who holds something in trust for another and bears liability for its safekeeping.

FLOATING RATE NOTE A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g., Treasury bills, LIBOR, etc.).

FUTURES Commodities and other investments sold to be delivered at a future date.

GOVERNMENT SECURITIES An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes and Bonds."

INTEREST RATE See "Coupon Rate."

INTERNAL CONTROLS An internal control structure designed to ensure that the assets of the Treasurer's Investment Pool are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. Control of collusion—Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. Separation of transaction authority from accounting and record keeping—By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. Custodial safekeeping—Securities purchased from a bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. Avoidance of physical delivery securities—Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. Clear delegation of authority to subordinate staff members—Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. Written confirmation of transactions for investments and wire transfers—Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. Development of a wire transfer agreement with the lead bank and third-party custodian—The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

INVERSE FLOATERS An adjustable interest rate note keyed to various indices such as LIBOR, commercial paper, federal funds, treasuries and derivative structures. The defined interest rate formula is the opposite or inverse of these indices. Interest rates and pay dates may reset daily, weekly, monthly, quarterly, semi-annually or annually.

INVERTED YIELD CURVE A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

INVESTMENT COMPANY ACT OF 1940 Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

INVESTMENT POLICY A concise and clear statement of the objectives and parameters formulated by the investor or investment manager for a portfolio of investment securities.

INVESTMENT-GRADE OBLIGATIONS An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

LIQUIDITY Usually refers to the ability to convert assets (such as investments) into cash.

LOCAL AGENCY INVESTMENT FUND (LAIF) The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

MAKE WHOLE CALL A type of call provision on a bond allowing the borrower to pay off remaining debt early. The borrower has to make a lump sum payment derived from a formula based on the net present value of future coupon payments that will not be paid because of the call.

MARK TO MARKET Valuing the inventory of held securities at its current market value.

MARKET RISK The risk that the value of a security will rise or decline as a result of changes in market conditions.

MARKET VALUE Price at which a security can be traded in the current market.

MASTER REPURCHASE AGREEMENT A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transaction. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY The date upon which the principal of a security becomes due and payable to the holder.

MEDIUM-TERM NOTES (MTNS) Corporate debt obligations continuously offered in a broad range of maturities. MTNs were created to bridge the gap between commercial paper and corporate bonds. The key characteristic of MTNs is that they are issued on a continuous basis.

MONEY MARKET INSTRUMENTS Private and government obligations of one year or less.

MONEY MARKET MUTUAL FUNDS Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, banker's acceptances, repos and federal funds).

MUTUAL FUND An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.

4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

MUTUAL FUND STATISTICAL SERVICES Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services and Morningstar.

NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD) A self-regulatory organization (SRO) of brokers and dealers in the over-the counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

NEGOTIABLE CERTIFICATES OF DEPOSIT May be sold by one holder to another prior to maturity. This is possible because the issuing bank agrees to pay the amount of the deposit plus interest earned to the bearer of the certificate at maturity.

NET ASSET VALUE The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below)

$$[(\text{Total assets}) - (\text{Liabilities})] / (\text{Number of shares outstanding})$$

NO LOAD FUND A mutual fund which does not levy a sales charge on the purchase of its shares.

NOMINAL YIELD The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

NON-NEGOTIABLE CERTIFICATES OF DEPOSIT For public funds, these certificates are collateralized and are not money market instruments since they cannot be traded in the secondary market. They are issued on a fixed-maturity basis and often pay higher interest rates than are permissible on other savings or time-deposit accounts.

OFFER The price of a security at which a person is willing to sell.

OPTION A contract that provides the right, but not the obligation, to buy or to sell a specific amount of a specific security within a predetermined time period. A call option provides the right to buy the underlying security. A put option provides the right to sell the underlying security. The seller of the contracts is called the writer.

PAR Face value of principal value of a bond, typically \$1,000 per bond.

PAR VALUE The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

POSITIVE YIELD CURVE A chart formation that illustrates short-term securities having lower yields than long-term securities.

PREMIUM The amount by which the price paid for a security exceeds par value, generally representing the difference between the nominal interest rate and the actual or effective return to the investor.

PRIME RATE A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

PRINCIPAL The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

PROSPECTUS A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

PRUDENT PERSON RULE An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

RANGE NOTES A security whose rate of return is pegged to an index. The note defines the interest rate minimum or floor and the interest rate maximum or cap. An example of an index may be federal funds. The adjustable rate of interest is determined within the defined range of the funds.

RATE OF RETURN The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond and the current income return.

REINVESTMENT RISK The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

REPURCHASE AGREEMENT OR RP OR REPO An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO) An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

RULE 2A-7 OF THE INVESTMENT COMPANY ACT Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

SAFEKEEPING Holding of assets (e.g., securities) by a financial institution.

SECURITIES LENDING A transaction wherein the Treasurer's Pool transfers its securities to a broker/dealer or other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SERIAL BOND A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

SETTLEMENT DATE The date used in price and interest computations, usually the date of delivery.

SINKING FUND Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

SLUGS An acronym for State and Local Government Series. SLUGS are special United States Government securities sold by the Secretary of the Treasury to states, municipalities and other local government bodies through individual subscription agreements. The interest rates and maturities of SLUGS are arranged to comply with arbitrage restrictions imposed under Section 103 of the Internal Revenue Code. SLUGS are most commonly used for deposit in escrow in connection with the issuance of refunding bonds.

STRIPS US Treasury acronym for "separate trading of registered interest and principal of securities." Certain registered Treasury securities can be divided into separate interest and principal components, which may then be traded as separate entities.

SWAP Generally refers to an exchange of securities, with essentially the same par value, but may vary in coupon rate, type of instrument, name of issuer and number of days to maturity. The purpose of the SWAP may be to enhance yield, to shorten the maturity or any benefit deemed by the contracting parties.

TERM BONDS Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

TOTAL RETURN The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period: (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

TREASURY SECURITIES Debt obligations of the United States Government sold by the Treasury Department in the form of bills, notes and bonds:

1. **Bills** Short-term obligations that mature in one year or less and are sold at a discount in lieu of paying periodic interest.
2. **Notes** Interest-bearing obligations that mature between one year and 10 years.
3. **Bonds** Interest-bearing long-term obligations that generally mature in 10 years or more.

UNIFORM NET CAPITAL RULE SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

U.S. AGENCY OBLIGATIONS Federal agency or United States government-sponsored enterprise obligations, participants, or other instruments. The obligations are issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

U.S. TREASURY OBLIGATIONS Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for

interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

VOLATILITY A degree of fluctuation in the price and valuation of securities.

“VOLATILITY RISK” RATING A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns (“S1+” by S&P) to those that are highly sensitive with currently identifiable market volatility risk (“S6” by S&P).

WEIGHTED AVERAGE MATURITY (WAM) The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI) A conditional transaction in which an authorized new security has not been issued. All “when issued” transactions are settled when the actual security is issued.

YIELD The current rate of return on an investment security generally expressed as a percentage of the security’s current price.

YIELD-TO-CALL (YTC) The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD CURVE A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

YIELD-TO-MATURITY The rate of return yielded by a debt security held to maturity when both interest payments and the investor’s potential capital gain or loss are included in the calculation of return.

ZERO-COUPON SECURITY A security that makes no periodic interest payments but instead is sold at a discount from its face value.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX G

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of _____, 2015, is executed and delivered by the County of Contra Costa, California (the “County”), and acknowledged and agreed to by Digital Assurance Certification, L.L.C., as dissemination agent, in connection with the issuance by the County of Contra Costa Public Financing Authority (the “Authority”) of \$_____,000 aggregate principal amount of its Lease Revenue Bonds, comprised of: \$_____,000 principal amount of (Refunding and Capital Projects), 2015 Series A; and \$_____,000 principal amount of (Refunding and Capital Projects), 2015 Series B (together, the “2015 Bonds”). The 2015 Bonds are being issued pursuant to a Trust Agreement, dated as of July 1, 2015 (the “Trust Agreement”), by and between the County of Contra Costa Public Financing Authority (the “Authority”) and the Trustee and acknowledged by the County. Pursuant to a Facilities Lease, dated as July 1, 2015 (the “Facilities Lease”), the County has covenanted to comply with its obligations under this Disclosure Agreement and to assume all obligations for continuing disclosure with respect to the 2015 Bonds. The County and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement This Disclosure Agreement is being executed and delivered by the County and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the 2015 Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

“*Annual Report*” shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Beneficial Owner*” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any 2015 Bonds (including persons holding a 2015 Bonds through nominees, depositories or other intermediaries).

“*Disclosure Representative*” shall mean the County Administrator, the Director of Conservation and Development, and the County Finance Director or his or her designee, or such other officer or employee as the County shall designate in writing to the Trustee from time to time.

“*Dissemination Agent*” shall initially mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent which may be designated in writing by the County and which has filed with the County a written acceptance of such designation.

“*Filing Date*” shall mean March 31 of each Fiscal Year of the County (or the next succeeding business day if such day is not a business day), commencing March 31, 2016.

“*Fiscal Year*” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the County and certified to the Trustee in writing by an Authorized Representative of the County.

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

“Official Statement” means the Official Statement dated _____, 2015 relating to the 2015 Bonds.

“Participating Underwriter” shall mean the original underwriter of the 2015 Bonds required to comply with the Rule in connection with offering of the 2015 Bonds.

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

“Specified Event” shall mean any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Agreement and any other event legally required to be reported pursuant to the Rule.

“State” shall mean the State of California.

SECTION 3 Provision of Annual Reports.

(a) The County shall provide, or shall cause the Dissemination Agent to provide, to the MSRB not later than the Filing Date, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report shall be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; *provided*, that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Specified Event under Section 5.

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to each Filing Date, the Dissemination Agent shall give notice to the County that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to the Filing Date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If by said date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the County of such failure to receive the Annual Report.

(c) The Dissemination Agent shall:

1. If the County is unable to provide to the Dissemination Agent an Annual Report by the Filing Date, and if not previously filed by the County, send a notice, in electronic format, to the MSRB in substantially the form attached hereto as Exhibit A.

2. File a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

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

(b) Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement under the following captions:

1. The status of the construction and installation of the improvement constituting the 2015 Project, until such time as the 2015 Project is completed;

2. Report of changes in "DEBT SERVICE SCHEDULE;"

3. Table B-1—"County of Contra Costa General Fund Budget Summary;"

4. Table B-2—"County of Contra Costa Summary of Secured Assessed Valuations and *Ad Valorem* Property Taxation;"

5. Table B-5—"County of Contra Costa General Fund Statement of Revenues, Expenditures and Changes in Fund Balances;"

6. Table B-8—"Contra Costa County Employees' Retirement Association Schedule of Funded Status;"

7. Table B-16—"Contra Costa County Other Post Employment Benefit Plan Summary of Contributions;" and

8. Table B-19—"Contra Costa County Outstanding Lease Revenue Obligations and Pension Obligation Bonds").

(c) In addition to any of the information expressly required to be provided under Sections 4(a) and 4(b), the County shall provide such other information, if any, necessary to the required statements, in light of the circumstances under which they were made, not misleading.

(d) The presentation and format of the Annual Report may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County to reflect changes in the business, structure, or operations of the County; provided that any such modifications shall comply with the requirements of the Rule.

(e) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which , have been made available to the public on the MSRB website. The County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Specified Events.

(a) Pursuant to the provisions of this Disclosure Agreement, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2015 Bonds, no later than ten (10) Business Days after the occurrence of such event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person. This event is considered to occur upon the happening of any of the following: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The County shall give, or cause to be given, notice to the MSRB of the occurrence of any of the following events described in this Section 5(b) with respect to the 2015 Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

1. Unless described in Section 5(a)(7) above, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the 2015 Bonds or other material events affecting the tax status of the 2015 Bonds;
2. Modifications to rights of the Bond holders;
3. Optional, unscheduled or contingent 2015 Bond calls;
4. Release, substitution, or sale of property securing repayment of the 2015 Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an

action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

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

(c) The County acknowledges that it is required to make a determination whether a Specified Event in in Section 5(b) above is material under applicable federal securities laws in order to determine whether a filing with the MSRB is required under Section 5(b). Notwithstanding the foregoing, notice of Specified Events described in Section 5(a)(7) and Section 5(b)(3) above need not be given any earlier than the notice (if any) of the underlying event is given to Holders of affected 2015 Bonds pursuant to the Trust Agreement.

(d) If the Dissemination Agent has been instructed by the County to report the occurrence of a Specified Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Specified Events described in Section 5(a)(4) and Section 5(a)(5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 2015 Bonds pursuant to the Trust Agreement.

SECTION 6 CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements and notices of Specified Events, the County shall indicate the full name of the 2015 Bonds and the nine-digit CUSIP numbers for the 2015 Bonds as to which the provided information relates.

SECTION 7 Termination of Reporting Obligation. The County's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2015 Bonds. If such termination occurs prior to the final maturity of the 2015 Bonds, the County shall give notice of such termination in the same manner as for a Specified Event under Section 5(c).

SECTION 8. Dissemination Agent. (a) The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

(b) The initial Dissemination Agent shall be Digital Assurance Certification, L.L.C. If at any time there is no designated Dissemination Agent appointed by the County, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the County shall be the Dissemination Agent an undertake or assume its obligations hereunder. The Dissemination Agent (other than the County) shall not be responsible in any manner for the content of any notice or report required to be delivered by the County pursuant to this Disclosure Agreement.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Specified Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrence of a Specified Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Specified Event.

SECTION 10. Amendment; Waiver Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to such 2015 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2015 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the affected Series of 2015 Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interest of the Holders or Beneficial Owners of such 2015 Bonds.

(e) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Specified Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of any Participating Underwriters or the Holders or Beneficial Owners of at least 25% of aggregate principal amount of the Certificates then outstanding, shall) or any Holders or Beneficial Owners of the 2015 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Agreement; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Contra Costa or in the U.S. District Court in the County of Contra Costa. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the County to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2015 Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the County: County of Contra Costa
County Administrator's Office
651 Pine Street, 10th Floor
Martinez, CA 94553-0063
Attention: Lisa Driscoll, County Finance Director
Telephone: 925-335-1023

If to the Dissemination Agent: Digital Assurance Certification, L.L.C.
390 North Orange Avenue, Suite 1750
Orlando, FL 32801-1674
Attention: Customer Assistance
Telephone: 888-824-2663

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

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the 2015 Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: _____, 2015

COUNTY OF CONTRA COSTA

By _____
Chair of the Board of Supervisors
County of Contra Costa,
State of California

DIGITAL ASSURANCE
CERTIFICATION, L.L.C., as
Dissemination Agent

By: _____
Dissemination Agent

EXHIBIT A

FORM OF NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: County of Contra Costa

Name of Bond Issue: County of Contra Costa Public Financing Authority Lease Revenue Bonds, (Refunding and Capital Projects), 2015 Series A; *and* County of Contra Costa Public Financing Authority Lease Revenue Bonds, (Refunding and Capital Projects), 2015 Series B

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the County of Contra Costa (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 8.08 of the Subleases, each dated as of July 1, 2015, by and between the County of Contra Costa Public Financing Authority and the County. The County anticipates that the Annual Report will be filed by _____.

Dated: _____

DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Dissemination Agent

By: _____
Dissemination Agent

cc: County of Contra Costa

APPENDIX H

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2015 Bonds, payment of principal, redemption premium, if any, and interest with respect to the 2015 Bonds to DTC, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2015 Bonds and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the County of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or its Participants, as the case may be. The County, the Trustee and the Underwriter understand that the current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and that the current “Procedures” of DTC to be followed in dealing with Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2015 Bonds. The 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the 2015 Bonds, each in the aggregate principal amount of such maturity, 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 and www.dtc.org.

Purchases of the 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

2015 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 2015 Bonds, except in the event that use of the book-entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2015 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 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of the 2015 Bonds may wish to ascertain that the nominee holding the 2015 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 2015 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 2015 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 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the 2015 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 County or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the 2015 Bonds to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2015 Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the County nor the Trustee take any responsibility for the accuracy thereof.

NEITHER THE COUNTY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

Neither the County nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the 2015 Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

The County and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the 2015 Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the County nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the 2015 Bonds or an error or delay relating thereto.