

SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

104



FROM: Executive Office

SUBMITTAL DATE:  
August 29, 2013

SUBJECT: FY 2013-14 Teeter Series D and Taxable Series E Notes

**RECOMMENDED MOTION:** That the Board of Supervisors approves Resolution 2013-222 supplementing its Master Teeter Resolution and providing for the terms and conditions of Series D and Taxable Series E Teeter Plan obligations and all other necessary documents to consummate the issuance of the notes.

**BACKGROUND:** Riverside County adopted the Teeter Plan in 1993. The Teeter Program provides participating agencies advance funding for uncollected property taxes. This occurs after the close of the fiscal year in exchange for assuming ultimate collection risk of the delinquent taxes along with any penalties and interest.

FISCAL PROCEDURES APPROVED  
PAUL ANGULO, CPA, AUDITOR-CONTROLLER  
BY: Lisette Rose 8/30/13  
Lisette Rose

Continued on page 2

Samuel Wong  
Samuel Wong, MBA  
Senior Management Analyst

**FINANCIAL  
DATA**

Current F.Y. Total Cost: \$240,000  
Current F.Y. Net County Cost: \$ N/A  
Annual Net County Cost: \$ N/A

In Current Year Budget: Yes  
Budget Adjustment: No  
For Fiscal Year: 13-14

**SOURCE OF FUNDS:** Teeter Notes Proceeds

Positions To Be Deleted Per A-30 ☐  
Requires 4/5 Vote ☐

**C.E.O. RECOMMENDATION:**

APPROVE

BY: Ivan M. Chand  
Ivan M. Chand

9/3/2013

County Executive Office Signature

**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Jeffries, seconded by Supervisor Tavaglione and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Stone and Benoit  
Nays: None  
Absent: Ashley  
Date: September 10, 2013  
EO, Auditor

Kecia Harper-Ihem  
Clerk of the Board  
By: [Signature]  
Deputy

Prev. Agn. Ref.: 3.5 on 9/11/12

District: All

Agenda Number:

ATTACHMENTS FILED

3-9

Participation in the Teeter Plan is voluntary, except for school districts. In addition to the County General Fund, approximately 350 entities participate in the Plan. Participating entities receive an advance of the uncollected taxes in exchange for transferring the collection risk to the County. The County receives the right to retain penalty and interest payments on the delinquent amounts.

The FY 2013-14 Teeter Series D and Taxable Series E Notes are part of an ongoing program that has been in place since 1993. The Teeter financing program is open-ended and continuously rolls over any unpaid amounts, since it takes several years to collect on delinquent accounts. The annual amount is based upon the following: (1) taxes collected in the prior year pay down the maturing notes, (2) the remaining notes roll into the next year's financing, and (3) the amount needed to fund the current advance of unpaid taxes is added to the financing.

Approval of Resolution 2013-222 provides for the issuance of the FY 2013-14 Teeter Obligation Notes in the amount of \$120.5 million. This amount includes funding to advance \$44.3 million of FY 12-13 delinquencies and refunding of \$75.2 million of prior years' property taxes that remain delinquent. The notes will be issued in fixed rate form, under the 1997 Master Resolution. The size of the program expands and contracts as tax delinquencies go up and down. The amount of notes outstanding is actually exceeded by the principal amount of taxes owed to the County. Given the County's lien position and the relationship between the taxes and property values, the County collects over 99% of the taxes owed, plus penalties and interest.

Due to the addition of the cities of Riverside and Eastvale to the Teeter program approved by the Board on June 18, 2013, a taxable portion will be issued as Series E in the amount of approximately \$1.6 million. That portion represents the outstanding delinquencies of those two cities and does not qualify for tax-exemption. Starting next fiscal year, this portion will no longer be taxable.

The program generates revenue for the General Fund by capturing the penalties and interest on the unpaid taxes upon collection. Those are paid at an effective rate in excess of 20% per annum; the County's cost to finance the program is currently below 1%. After replenishing the statutorily required balance in the Tax Losses Reserve Fund and paying the interest cost for the year, the net amount is transferred in as unrestricted revenue. For FY 2012-13, that amount was \$32 million.

County Counsel approves the attached documents as to form.

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**RESOLUTION NO. 2013-222**  
**OF**  
**THE COUNTY OF RIVERSIDE**

**SUPPLEMENTING ITS**  
**MASTER TEETER RESOLUTION, AND**  
**PROVIDING FOR THE TERMS AND CONDITIONS OF**  
**2013 SERIES D TEETER PLAN OBLIGATION NOTES (TAX-EXEMPT)**  
**and**  
**2013 SERIES E TEETER PLAN OBLIGATION NOTES (TAXABLE)**

**ADOPTED ON SEPTEMBER 10, 2013**

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**RESOLUTION NO. 2013-222**

**RESOLUTION OF THE COUNTY OF RIVERSIDE  
SUPPLEMENTING ITS MASTER TEETER RESOLUTION,  
AND PROVIDING FOR THE TERMS AND CONDITIONS OF  
2013 SERIES D TEETER PLAN OBLIGATION NOTES (TAX-EXEMPT)  
AND 2013 SERIES E TEETER PLAN OBLIGATION NOTES (TAXABLE)**

**WHEREAS**, the Board of Supervisors (the "Board") of the County of Riverside (the "County") has adopted a resolution pursuant to Section 4702 of the California Revenue and Taxation Code, and has thereby elected to follow the procedure for distributing Property Tax levies set forth in Chapter 3 of Part 8 of Division 1 of the California Revenue and Taxation Code, consisting of Sections 4701 through 4717 (the "Law"); and

**WHEREAS**, the Board elected, pursuant to Section 4702.5 of the Law, to include certain assessments in the procedures authorized under the Law; and

**WHEREAS**, pursuant to Section 4705 of the Law, for each year in which allocations of taxes and assessments are to be made in accordance with the Law, the amount of taxes and assessments for each fund for which the tax levy has been included is to be apportioned to the credit of each such fund, and the Board shall provide moneys in the County Treasury which shall be available to be drawn on to the extent of the amount of uncollected taxes and assessments credited to each such fund for which a tax levy or an assessment has been included; and

**WHEREAS**, on July 29, 1997, pursuant to Resolution No. 97-203, as ratified, confirmed and modified by Resolution No. 97-298 adopted on November 4, 1997 (together, the "Master Teeter Resolution") the Board authorized an issuance of Series A Obligations and Series B Obligations in the form of Series A Notes and Series B Notes, respectively; and

**WHEREAS**, the Master Teeter Resolution contemplated that Series A Obligations and Series B Obligations could be increased to include an amount sufficient to refund any Demand Obligation relating to any fiscal year ending after June 30, 1997, as specified in a Supplemental Resolution; and

**WHEREAS**, pursuant to Resolution No. 98-283, adopted on August 18, 1998, the Board authorized Series A Obligations and Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 1998; and

**WHEREAS**, pursuant to Resolution No. 99-385, adopted on September 7, 1999, the Board authorized Series A Obligations and Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 1999; and

**WHEREAS**, pursuant to Resolution No. 2000-277, adopted September 26, 2000, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2000; and

FORM APPROVED COUNTY COUNSEL  
BY: DALE A. GARDNER 8/29/13 DATE

**WHEREAS**, pursuant to Resolution No. 2001-290, adopted September 11, 2001, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2001; and

**WHEREAS**, pursuant to Resolution No. 2002-363, adopted October 8, 2002, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2002; and

**WHEREAS**, pursuant to Resolution No. 2003-495, adopted October 21, 2003, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2003; and

**WHEREAS**, pursuant to Resolution No. 2004-496, adopted October 26, 2004, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2004; and

**WHEREAS**, pursuant to Resolution No. 2005-493, adopted November 29, 2005, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2005 and to refund Outstanding Series B Notes; and

**WHEREAS**, pursuant to Resolution No. 2006-405 adopted October 17, 2006, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2006 and to refund Outstanding Series B Notes; and

**WHEREAS**, pursuant to Resolution No. 2007-479, adopted October 30, 2007, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2007 and to refund Outstanding Series B Notes; and

**WHEREAS**, pursuant to Resolution No. 2008-486, adopted November 18, 2008, the Board authorized Series B Obligations and Series C Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2008 and to refund Outstanding Series B Notes; and

**WHEREAS**, pursuant to Resolution No. 2009-310, adopted November 24, 2009, the Board authorized Series B Obligations and Series C Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2009 and to refund Outstanding Series B Notes and Series C Notes; and

**WHEREAS**, pursuant to Resolution No. 2010-281, adopted September 14, 2010, the Board authorized Series B Obligations and Series C Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2010 and to refund Outstanding Series B Notes and Series C Notes; and

**WHEREAS**, pursuant to Resolution No. 2011-252, adopted September 27, 2011, the Board authorized Series B Obligations and Series C Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2010 and to refund Outstanding Series B Notes and Series C Notes; and

**WHEREAS**, pursuant to Resolution No. 2012-195, adopted September 11, 2012, the Board authorized Series D Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2011 and to refund Outstanding Series B Notes; and

**WHEREAS**, the County wishes to include within the definition of Series B Taxes all uncollected property taxes and assessments attributable to the fiscal year ending June 30, 2013; and

**WHEREAS**, the County wishes to issue a Demand Obligation or Demand Obligations relating to delinquencies in property taxes and assessments attributable to the fiscal year ending June 30, 2013 and to issue 2013 Series D Notes (Tax-Exempt) (the "2013 Series D Notes"), the proceeds of which are to be used to refund all or a portion of a Demand Obligation, to refund Outstanding Series D Notes and to pay costs of issuance; and

**WHEREAS**, the County wishes to issue 2013 Series E Notes (Taxable) (the "2013 Series E Notes" and, collectively with the 2013 Series D Notes, the "2013 Notes"), the proceeds of which are to be used to refund all or a portion of a Demand Obligation and to pay costs of issuance; and

**WHEREAS**, the County wishes to confirm that the security interest and pledge granted pursuant to Section 302 of the Master Teeter Resolution extends to such Series B Taxes and also secures the 2013 Notes.

**NOW, THEREFORE, IT IS RESOLVED** and ordered by the Board as follows:

## **ARTICLE I**

### **AUTHORITY FOR SUPPLEMENTAL RESOLUTIONS; DEFINITIONS**

**1.01 Authority For This Resolution.** This resolution supplements and amends the Master Teeter Resolution and is entered into pursuant to Article VII of the Master Teeter Resolution.

#### **1.02 Definitions.**

(a) Except as otherwise provided herein all terms defined in the Master Teeter Resolution shall have the same meanings when used in this Supplemental Resolution as are given in Section 101 of the Master Teeter Resolution, except for the following terms which are used in the Master Teeter Resolution, which shall be amended to read as follows:

**"Series B Taxes"** means (i) the right to collect any uncollected property taxes due to the County and the other Revenue Districts for the fiscal years ended June 30, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013 and such other fiscal years, if any, as may be specified in a Supplemental Resolution, (ii) all amounts received by the County upon the sale of property to recover such property taxes or assessments, and (iii) all amounts received by the County upon the redemption of properties for sale or previously sold to recover such property taxes or assessments, in each

case to which the County is entitled, including as a consequence of electing to being governed by the Law, and in each case following the allocation by the County of the receipts of property taxes and assessments between the Revenue Districts and those public districts within the County which have not agreed that the Law shall apply to them; provided, however, that Series B Taxes shall not include (i) the right to collect delinquencies in property taxes due to an Independent District for all fiscal years prior to the fiscal year in which the respective Independent District agreed (pursuant to Section 4715 of the Law) that the Law shall apply to it, (ii) Default Penalties, (iii) interest or Redemption Penalties, (iv) costs and fees paid pursuant to Section 4102(d) and 4112 of the Taxation Code and (v) installment payments made pursuant to Section 4217 et. seq. of the Taxation Code with respect to properties otherwise subject to Series A/B Taxes. Series B Taxes shall not include Series A Taxes or Other Taxes.

**"2013 Notes"** means the 2013 Series D Notes (Tax-Exempt) and the 2013 Series E Notes (Taxable).

## **ARTICLE II**

### **AUTHORIZATION OF DEMAND OBLIGATIONS**

**2.01 Authorization of Demand Obligation.** The County shall evidence its obligation to make distributions to Revenue Districts pursuant to the Law in respect of property taxes and assessments attributable to the fiscal year ending June 30, 2013, through the issuance of a Demand Obligation or Demand Obligations in the principal amounts of such distributions.

## **ARTICLE III**

### **EXTENSION OF SERIES B TEETER OBLIGATION PLEDGE**

**3.01 Pledge of Series B Taxes.** All Series B Taxes as defined in this Supplemental Resolution shall be governed by the provisions of Section 302(2) of the Master Teeter Resolution, the security interest and pledge created pursuant to said Section 302(2) shall hereby extend to Series B Taxes as defined in this Supplemental Resolution, and such security interest and pledge shall hereby extend in favor of Holders of (a) the Demand Obligations referred to in Section 2.01 hereof and issued hereunder and (b) the 2013 Series D Notes and 2013 Series E Notes authorized and issued hereunder. The lien on Series B Taxes shall continue so long as any 2013 Notes remain Outstanding, and shall secure on a parity lien, the 2013 Series D Notes and the 2013 Series E Notes.

## **ARTICLE IV**

### **AUTHORIZATION AND ISSUANCE OF 2013 NOTES**

**4.01 Authorization of 2013 Notes.** The Board hereby determines that the County shall issue (i) as 2013 Series D Obligations, the "Teeter Plan Obligation Notes, 2013 Series D (Tax-Exempt)" (the "2013 Series D Notes"), and the proceeds shall be applied to the refunding, in whole or in part, of a Demand Obligation, Outstanding Series D Notes, and to pay

costs of issuance, and (ii) as 2013 Series E Obligations, the "Teeter Plan Obligation Notes, 2013 Series E (Taxable)" (the "2013 Series E Notes"), and the proceeds shall be applied to the refunding, in whole or in part, of a Demand Obligation and to pay costs of issuance. The aggregate principal amount of 2013 Notes issued hereunder shall not exceed \$120,500,000. The 2013 Series D Notes shall be Tax-Exempt Notes (and the tax covenants contained in Section 815 of the Resolution shall apply to the 2013 Series D Notes) and the 2013 Series E Notes shall be Taxable Notes. Any different or additional terms and provisions of the 2013 Notes shall be set forth in a written certificate of the Treasurer or County Executive Officer delivered prior to the issuance of the 2013 Notes.

**4.02 Denominations, Medium, Method and Place of Payment and Dating of 2013 Notes.** (a) The 2013 Notes shall be initially issued and registered as provided in Section 4.07 of this Supplemental Resolution and otherwise shall be in the denominations of \$5,000 or any integral multiple thereof, and shall be dated the date of issuance thereof, shall mature no later than December 31, 2014, and shall bear interest, payable at maturity and computed on the basis of a 360-day year composed of twelve 30-day months for the 2013 Series D Notes and actual days/360-day year for the 2013 Series E Notes, at the rates per annum determined in accordance with this Supplemental Resolution.

(b) Both the principal of the 2013 Notes and interest due on the 2013 Notes at maturity shall be payable in lawful money of the United States of America, only to the registered owners of the Notes upon surrender thereof at the principal office of the Fiscal Agent upon the maturity thereof. No interest shall be payable on any 2013 Note for any period after maturity during which the registered owner thereof fails to properly present such 2013 Note for payment.

**4.03 Sale of Notes.** The Purchase Contract, in substantially the form presented to this meeting, is hereby approved. The Treasurer and the County Executive Officer and their designees are, and each of them acting alone is, authorized to execute and deliver such Purchase Contract, with such changes, additions, completions and corrections therein as such officers shall require or approve, including specifying the principal amount of the 2013 Series D Notes and the 2013 Series E Notes (not to exceed the amount authorized under Section 4.01 hereof), the term of the 2013 Series D Notes and the 2013 Series E Notes (not to exceed the maturity date set forth in Section 4.02(a) hereof), the interest rate on the 2013 Series D Notes and the 2013 Series E Notes and the purchase price of the 2013 Notes, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the true interest cost of the 2013 Notes shall not exceed 0.75% per annum, and that the underwriters' discount (exclusive of original issue discount) on the 2013 Notes shall not exceed 0.05% of the principal amount of the 2013 Notes.

**4.04 Payment of 2013 Notes.** There is hereby established with the Fiscal Agent, as agent and pledge holder for the Holders of the 2013 Notes, the "2013 Payment Fund." On or before the maturity date of the 2013 Notes, the County shall transfer to the Fiscal Agent from the General Fund, including the Series B Taxes, an amount sufficient to pay the principal of and interest on the 2013 Notes when due.

**4.05 Forms of 2013 Notes.** The 2013 Notes and the assignment to appear thereon each shall be in substantially the form set forth in Exhibits A and B attached hereto and

incorporated herein, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

**4.06 Execution and Authentication of Notes.** The County Executive Officer is hereby authorized to sign the 2013 Notes by use of his manual or facsimile signature, and the Clerk of the Board of Supervisors is hereby authorized to countersign the 2013 Notes by use of his/her manual signature and to affix the seal of the Board of Supervisors thereto by facsimile thereon. Said officers are hereby authorized to cause the blank spaces in the Notes to be filled in as may be appropriate and to deliver the 2013 Notes to the Underwriters in accordance with the terms and provisions of the Purchase Contract. In the case of 2013 Notes executed by facsimile signature of both the County Executive Officer and the Clerk of the Board of Supervisors, the 2013 Notes shall not be valid unless and until the Fiscal Agent or his or her designee shall have manually authenticated such Notes.

In case any officer whose signature appears on the 2013 Notes shall cease to be such officer before the delivery of the 2013 Notes to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Notes.

**4.07 Registration, Exchange and Transfer.** (a) The Depository Trust Company, New York, New York, is hereby appointed depository for the 2013 Notes. The 2013 Notes shall be initially issued and registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York and shall be evidenced by a single 2013 Series D Note and a single 2013 Series E Note. Registered ownership of each 2013 Note, or any portion thereof, may not thereafter be transferred except as set forth in Section 4.07(b).

(b) The 2013 Notes shall be initially issued and registered as provided in Section 4.07(a) hereof. Registered ownership of the 2013 Notes, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or of any substitute depository designated pursuant to clause (ii) of this subsection (B) ("Substitute Depository"); provided that any successor of Cede & Co., as nominee of The Depository Trust Company or Substitute Depository, shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any Substitute Depository not objected to by the County Executive Officer, upon (1) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the County Executive Officer to substitute another depository for The Depository Trust Company (or its successor) because The Depository Trust Company (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor)

from its functions as depository, or (2) a determination by the County Executive Officer to discontinue using a depository.

(c) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (b) of this Section, upon receipt of all outstanding 2013 Notes by the Fiscal Agent (together, in the case of a successor fiscal agent appointed by the County, with a written request of the County Executive Officer to such successor fiscal agent designating the Substitute Depository), a single new 2013 Series D Note and 2013 Series E Note, which the County shall prepare or cause to be prepared, shall be executed and delivered, registered in the name of any such successor to Cede & Co. or such Substitute Depository, or their respective nominees, as the case may be, all as specified by the County Executive Officer. In the case of any transfer pursuant to clause (iii) of subsection (b) of this Section upon receipt of all outstanding 2013 Notes by the Fiscal Agent (together, in the case of a successor fiscal agent appointed by the County, with a written request of the County Executive Officer to such successor fiscal agent), new 2013 Notes, which the County shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as specified by the County Executive Officer, subject to the limitations of this Section, provided that the Fiscal Agent shall deliver such new 2013 Notes as soon as practicable.

(d) The County and the Fiscal Agent shall be entitled to treat the person in whose name any 2013 Note is registered as the owner thereof for all purposes of the Resolution and for purposes of payment of principal of and interest on such 2013 Note, notwithstanding any notice to the contrary received by the Fiscal Agent or the County; and the County and the Fiscal Agent shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2013 Notes. Neither the County nor the Fiscal Agent shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including The Depository Trust Company or its successor (or Substitute Depository or its successor), except to the owner of any 2013 Notes, and the Fiscal Agent may rely conclusively on its records as to the identity of the owners of the 2013 Notes.

(e) Notwithstanding any other provision of this Resolution and so long as all outstanding 2013 Notes are registered in the name of Cede & Co. or its registered assigns, the County and the Fiscal Agent shall cooperate with Cede & Co. or its registered assigns, as sole registered owner, in effecting payment of the principal of and interest on the 2013 Notes by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due all in accordance with the Letter of Representations, the provisions of which the Fiscal Agent may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein.

(f) In the case of any transfer pursuant to clause (iii) of subsection (b) of this Section, any 2013 Note may, in accordance with its terms, be transferred or exchanged for a 2013 Note of like aggregate principal amount in authorized denominations, upon the books required to be kept by the Fiscal Agent pursuant to the provisions hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2013 Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed and in form approved by the Fiscal Agent.

Whenever any 2013 Note shall be surrendered for transfer or exchange, the County shall execute and the Fiscal Agent shall authenticate, if required, and deliver a new 2013 Note of authorized denominations, for a like aggregate principal amount. The Fiscal Agent shall require the owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

(g) The Fiscal Agent will keep or cause to be kept sufficient books for the registration and transfer of the 2013 Notes, which shall at all times be open to inspection by the County. Upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, 2013 Notes as hereinbefore provided.

(h) If any 2013 Note shall become mutilated, the County, at the expense of the owner of such 2013 Note, shall execute, and the Fiscal Agent shall thereupon authenticate, if required, and deliver a new 2013 Note of like tenor and number in exchange and substitution for the 2013 Note so mutilated, but only upon surrender to the Fiscal Agent of the 2013 Note so mutilated. Every mutilated 2013 Note so surrendered to the Fiscal Agent shall be cancelled by it and delivered to, or upon the order of, the County. If any 2013 Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the County and the Fiscal Agent and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the County, at the expense of the owner, shall execute, and the Fiscal Agent shall thereupon authenticate, if required, and deliver a new 2013 Note of like tenor and number in lieu of and in substitution for the 2013 Note so lost, destroyed or stolen (or if any such 2013 Note shall have matured or shall be about to mature, instead of issuing a substitute 2013 Note, the Fiscal Agent may pay the same without surrender thereof). The Fiscal Agent may require payment by the registered owner of a 2013 Note of a sum not exceeding the actual cost of preparing each new 2013 Note issued pursuant to this paragraph and of the expenses which may be incurred by the County and the Fiscal Agent. Any 2013 Note issued under these provisions in lieu of any 2013 Note alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the County whether or not the 2013 Note so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Supplemental Resolution with all other 2013 Notes issued under this Supplemental Resolution.

All 2013 Notes surrendered for payment or registration of transfer, if surrendered to any person other than the Fiscal Agent, shall be delivered to the Fiscal Agent and shall be promptly cancelled by it. The County may at any time deliver to the Fiscal Agent for cancellation any 2013 Notes previously authenticated and delivered hereunder which the County may have acquired in any manner whatsoever, and all 2013 Notes so delivered shall promptly be cancelled by the Fiscal Agent. No 2013 Note shall be authenticated in lieu of or in exchange for any 2013 Notes cancelled as provided herein, except as expressly permitted hereunder. All cancelled 2013 Notes held by the Fiscal Agent shall be disposed of as directed by the County.

**4.08 Defeasance of 2013 Notes.** (a) If the County shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding 2013 Notes the interest and principal thereof at the times and in the manner stipulated herein and therein, then all agreements



and covenants of the County to such Holders hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding 2013 Notes shall, prior to the maturity date thereof, be deemed to have been paid within the meaning and with the effect expressed in this Section if there shall have been deposited with the Fiscal Agent in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to prepayment prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Fiscal Agent at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal of and the interest to become due on said 2013 Notes on the maturity date thereof. Neither the securities nor moneys deposited with the Fiscal Agent pursuant to this Section 4.08(b) nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said 2013 Notes. The Fiscal Agent shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to this Section.

(c) After the payment or deemed payment of all the interest and principal of all Outstanding 2013 Notes as provided in this Section and payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay over or deliver to the County all moneys or securities held by it pursuant hereto which are not required for the payment of the interest and principal represented by such 2013 Notes. Owners of 2013 Notes shall thereafter be entitled to payments due under the 2013 Notes only from amounts deposited pursuant to this Section and from no other source.

**4.09 Fiscal Agent.** The Bank of New York Mellon Trust Company, N.A. is hereby appointed as Fiscal Agent for the 2013 Notes. The County hereby directs and authorizes the payment by the Fiscal Agent of the interest on and principal of the 2013 Notes when such become due and payable.

The Fiscal Agent is also appointed as registrar and upon the request of any registered owner, is authorized to record the transfer or exchange of 2013 Notes or the 2013 Series E Notes in accordance with the provisions hereof.

**4.10 Official Statement for 2013 Notes.** The proposed form of official statement relating to the 2013 Notes, in substantially the form presented to this meeting, is hereby approved with such additions, changes and corrections as the Treasurer and the County Executive Officer and their designees, jointly and severally, may from time to time approve. The Underwriters are hereby authorized to distribute such official statement in preliminary form (the "Preliminary Official Statement") to the potential purchasers of the 2013 Notes and are hereby authorized and directed to deliver such official statement in final form to all purchasers of the 2013 Notes. The Treasurer and the County Executive Officer and their designees are, and each of them acting alone is, authorized to certify on behalf of the County that the preliminary form of the official statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule). The Treasurer and the County

Executive Officer and their designees are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the County, to sign a copy of such Official Statement in final form.

**4.11 Continuing Disclosure.** The County hereby agrees and covenants that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") executed by the County and dated the date of issuance and delivery of the 2013 Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision hereof, failure of the County to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; provided, that any registered owner of the 2013 Notes 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 Section.

## **ARTICLE V**

### **MISCELLANEOUS**

**5.01 Accounting.** The Board hereby determines that earnings on amounts held in the Teeter Debt Service Fund and the Teeter Tax Loss Reserve Fund, respectively, shall be deposited in such fund or funds as shall be directed by the County Executive Officer.

**5.02 Additional Actions.** All actions heretofore taken by the officers and agents of the County or the Board of Supervisors with respect to the issuance and sale of the 2013 Series D Notes and the 2013 Series E Notes are hereby approved, confirmed and ratified, and the officers, employees and agents of the County and the Board of Supervisors are hereby authorized and directed, for and in the name and on behalf thereof, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale from time to time of the 2013 Series D Notes and 2013 Series E Notes in accordance with the Master Teeter Resolution and this Supplemental Resolution, including, but not limited to, entering into amendments, if any, to the Fiscal Agent Agreement (including provisions relating to a costs of issuance fund) and DTC Representation Letter.

**5.03 Effectiveness; Master Teeter Resolution to Remain in Effect.**

(a) This Supplemental Resolution shall become effective immediately upon its adoption. Except as expressly provided in this Supplemental Resolution, every term and condition contained in the Master Teeter Resolution shall apply to this Supplemental Resolution and to the additional Demand Obligations and 2013 Series D Notes and 2013 Series E Notes authorized hereby, with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplemental Resolution.

(b) This Supplemental Resolution and all of the terms and provisions herein contained shall form part of the Master Teeter Resolution as fully and with the same effect as if

all such terms and provisions had been set forth in the Master Teeter Resolution. The Master Teeter Resolution is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as heretofore amended and supplemented and as amended and supplemented hereby.

**5.04 Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the County shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of any of the Demand Obligations or any of the 2013 Series D Notes or 2013 Series E Notes authorized hereby, and the Holders shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law.

**5.05 Law Governing.** This Supplemental Resolution shall be governed exclusively by the provisions hereof and by the laws of the State of California as the same from time to time exist.

**PASSED and ADOPTED** by the Board of Supervisors on September 10, 2013.

**ROLL CALL:**

**Ayes:** Jeffries, Tavaglione, Stone and Benoit  
**Nays:** None  
**Absent:** Ashley

The foregoing is certified to be a true copy of a resolution duly adopted by said Board of Supervisors on the date therein set forth.

KECIA HARPER-IHEM, Clerk of said Board

By \_\_\_\_\_  
Deputy

**EXHIBIT A**

**FORM OF 2013 SERIES D NOTE**

No. \_\_\_\_\_

\$ \_\_\_\_\_

**COUNTY OF RIVERSIDE TEETER PLAN OBLIGATION NOTE, 2013 SERIES D  
(TAX-EXEMPT)**

**NOTE  
DATE**

**MATURITY  
DATE**

**INTEREST  
RATE**

**CUSIP**

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The County of Riverside (the "County") acknowledges itself indebted to, and for value received, hereby promises to pay from amounts on deposit in the General Fund, as defined in the Resolution No. 97-203 of the County, as amended and supplemented (the "Resolution"), to the registered owner specified above (the "Holder"), at the office of The Bank of New York Mellon Trust Company, NA, the principal amount specified above on the Maturity Date specified above, together with interest thereon at the Interest Rate per annum set forth above (computed on the basis of a 360-day year composed of twelve 30-day months) in like lawful money from the Note Date specified above until payment in full of said principal sum. The principal of and interest payable at maturity on this Note shall be payable only to the registered owner hereof upon surrender of this Note at the office of the Fiscal Agent as the same shall fall due; provided, however, that no interest shall be payable for any period after maturity during which the registered owner hereof fails to properly present this Note for payment.

This Note is one of a duly authorized issue of Teeter Plan Obligation Notes, 2013 Series D (Tax-Exempt) of the County issued under and pursuant to the Resolution. The 2013 Series D Notes are payable from General Fund and are secured by Series B Taxes as defined in the Resolution. By acceptance of this Note, the Holder consents to all the terms and conditions hereof, and of the Resolution, a copy of which is on file with the County.

The County may deem and treat the Holder hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal and interest due hereon and for all other purposes and the County shall not be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Resolution to exist, to have happened and to have been

performed precedent to and in the issuance of this Note, exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the County of Riverside has caused this Note to be executed in its name by the manual or facsimile signature of its County Executive Officer and countersigned by the manual or facsimile signature of the Clerk of the Board of Supervisors, and caused its official seal or a facsimile thereof to be affixed hereto.

COUNTY OF RIVERSIDE

By \_\_\_\_\_  
County Executive Officer

(SEAL)

COUNTERSIGNED:

\_\_\_\_\_  
Clerk of the Board of Supervisors

**EXHIBIT B**

**FORM OF 2013 SERIES E NOTE**

No. \_\_\_\_\_

\$ \_\_\_\_\_

**COUNTY OF RIVERSIDE TEETER PLAN OBLIGATION NOTE,  
2013 SERIES E (TAXABLE)**

**DATE OF  
ORIGINAL ISSUE**

**MATURITY  
DATE**

**INTEREST  
RATE**

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The County of Riverside (the "County") acknowledges itself indebted to, and for value received, hereby promises to pay from amounts on deposit in the General Fund, as defined in the Resolution No. 97-203 of the County, as amended and supplemented (the "Resolution"), to the registered owner specified above (the "Holder"), at the office of The Bank of New York Mellon Trust Company, N.A., the principal amount specified above on the Maturity Date specified above, together with interest thereon at the Interest Rate per annum set forth above (computed on the basis of actual days/360-day year) in like lawful money from the Note Date specified above until payment in full of said principal sum. The principal of and interest payable at maturity on this Note shall be payable only to the registered owner hereof upon surrender of this Note at the office of the Fiscal Agent as the same shall fall due; provided, however, that no interest shall be payable for any period after maturity during which the registered owner hereof fails to properly present this Note for payment.

This Note is one of a duly authorized issue of Teeter Plan Obligation Notes, 2013 Series E (Taxable) of the County issued under and pursuant to the Resolution. The 2013 Series E Notes are payable from General Fund and are secured by Series B Taxes as defined in the Resolution. By acceptance of this Note, the Holder consents to all the terms and conditions hereof, and of the Resolution, a copy of which is on file with the County.

The County may deem and treat the Holder hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal and interest due hereon and for all other purposes and the County shall not be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Note, exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the County of Riverside has caused this Note to be executed in its name by the manual or facsimile signature of its County Executive Officer and countersigned by the manual or facsimile signature of the Clerk of the Board of Supervisors, and caused its official seal or a facsimile thereof to be affixed hereto.

COUNTY OF RIVERSIDE

By \_\_\_\_\_  
County Executive Officer

(SEAL)

COUNTERSIGNED:

\_\_\_\_\_  
Clerk of the Board of Supervisors



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

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: Moody's: "\_\_\_\_"  
Fitch: "\_\_\_\_"  
See "RATINGS" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, 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 2013 Series D Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and interest on the 2013 Series D Notes and the 2013 Series E Notes is exempt from State of California personal income taxes. The amount treated as interest on the 2013 Series D Notes and excluded from gross income may depend on the taxpayer's election under Internal Revenue Service Notice 94-84. In the further opinion of Bond Counsel, interest on the 2013 Series D Notes 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. Interest on the 2013 Series E Notes is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

\$118,400,000\*

COUNTY OF RIVERSIDE  
2013 SERIES D TEETER OBLIGATION  
NOTES (TAX-EXEMPT)

\$1,600,000\*

COUNTY OF RIVERSIDE  
2013 SERIES E TEETER OBLIGATION NOTES  
(TAXABLE)

Dated: Date of Delivery

Due: October \_\_, 2014

The County of Riverside 2013 Series D Teeter Obligation Notes (Tax Exempt) (the "2013 Series D Notes") and the County of Riverside 2013 Series E Teeter Obligation Notes (Taxable) (the "2013 Series E Notes," and, together with the 2013 Series D Notes, the "Notes") are being issued to (i) refund a portion of the outstanding County of Riverside 2012 Teeter Obligation Notes, Series D (the "2012 Series D Notes"), (ii) fund an advance of unpaid property taxes for agencies participating in the County of Riverside's Teeter Plan and (iii) to pay the costs of issuance related to the Notes. See "THE COUNTY — The Teeter Plan." The Notes will be issued bearing interest at a fixed rate as set forth below.

The Notes will be issued in denominations of \$5,000 or any integral multiple thereof, will be dated the date of their delivery and will bear interest at the interest rate shown below. The principal of and interest on the Notes will be due on the maturity date thereof. Principal of and interest on the Notes will be payable in lawful money of the United States of America by The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent.

The Notes will not be subject to redemption prior to maturity.

The Notes will be issued in fully registered form. When delivered, the Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers will not receive Notes representing their ownership interest in the Notes purchased. Principal and interest on the Notes will be payable when due through the facilities of DTC, as described in "THE NOTES — Book Entry Only System."

The principal of and interest on the Notes will be payable solely from Series B Taxes (as defined herein) and from lawfully available moneys in the County's General Fund. For a description of the Series B Taxes, see "THE NOTES — Security for the Notes." For a description of the County and its finances, see APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Notes.

MATURITY SCHEDULES

2013 SERIES D TEETER OBLIGATION NOTES (TAX-EXEMPT)

Maturity Date	Principal Amount	Interest Rate	Yield	Price	CUSIP No. <sup>†</sup>
October __, 2014	\$ _____				

2013 SERIES E TEETER OBLIGATION NOTES (TAXABLE)

Maturity Date	Principal Amount	Interest Rate	Yield	Price	CUSIP No. <sup>†</sup>
October __, 2014	\$ _____				

This cover page contains information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement in considering the investment quality of the Notes.

The Notes are offered when, as and if issued and received by the Underwriters, subject to the approval of Orrick Herrington & Sutcliffe, LLP, San Francisco, California, Bond Counsel to the County, and to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the County with respect to the Notes. Certain legal matters will be passed upon for the County by Pamela J. Walls, County Counsel, and for the Underwriters by their counsel Hawkins Delafield & Wood LLP. It is anticipated that the Notes will be available for delivery to The Depository Trust Company or its agent on or about October \_\_, 2013.

Wells Fargo Securities

De La Rosa & Co.

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

\* Preliminary, subject to change

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

## **COUNTY OF RIVERSIDE**

County Executive Office  
4th Floor  
4080 Lemon Street  
Riverside, California 92501

### **Board of Supervisors**

John Benoit, Fourth District, Chairman  
Jeff Stone, Third District, Vice Chairman  
Marion Ashley, Fifth District  
Kevin Jeffries, First District  
John Tavaglione, Second District

### **County Officials**

Jay Orr, County Executive Officer  
Don Kent, Treasurer-Tax Collector  
Paul Angulo, Auditor-Controller  
Larry Ward, Assessor-County Clerk-Recorder  
Pamela J. Walls, County Counsel

### **SPECIAL SERVICES**

#### **Bond Counsel**

Orrick Herrington & Sutcliffe, LLP  
San Francisco, California

#### **Disclosure Counsel**

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

#### **Financial Advisor**

C.M. de Crinis & Co., Inc.  
Glendale, California

#### **Fiscal Agent**

The Bank of New York Mellon Trust Company N.A.  
Los Angeles, California

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

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

The information set forth herein has been obtained from the County and other sources which the County believes to be reliable. The information and expression of opinion herein are subject to change without notice and neither delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or any other parties described herein since the date hereof. All summaries of the Resolution or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the County for further information in connection therewith.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

In connection with the offering of the Notes, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of such notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Notes to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

The Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The Notes have not been registered or qualified under the securities laws of any state.

#### CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information in APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE" in this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The County does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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**\$118,400,000\***  
**COUNTY OF RIVERSIDE**  
**2013 SERIES D TEETER OBLIGATION**  
**NOTES (TAX-EXEMPT)**

**\$1,600,000\***  
**COUNTY OF RIVERSIDE**  
**2013 SERIES E TEETER OBLIGATION**  
**NOTES (TAXABLE)**

**INTRODUCTION**

This Official Statement, including the cover page, the table of contents and appendices, has been prepared in connection with the issuance by the County of Riverside, California (the "County") of its 2013 Series D Teeter Obligation Notes (Tax Exempt) (the "2013 Series D Notes") and its 2013 Series E Teeter Obligation Notes (Taxable) (the "2013 Series E Notes," and, together with the 2013 Series D Notes, the "Notes"), and contains certain information relating to the Notes and the County.

With respect to collection of property taxes, the County adopted its Teeter plan in 1993 (the "Teeter Plan"), which is an alternate procedure authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the "Law"), commonly referred to as the "Teeter Plan," for distribution of certain property tax and assessment levies on the secured roll. See "THE COUNTY — The Teeter Plan."

The Notes are being issued to (i) refund a portion of the County's 2012 Teeter Obligation Notes, Series D, issued in the aggregate principal amount of \$142,840,000 (the "2012 Series D Notes"), (ii) fund an advance of unpaid property taxes for agencies participating in the County's Teeter Plan and (iii) to pay the costs of issuance related to the Notes. See "THE COUNTY — The Teeter Plan."

The Notes will be issued in denominations of \$5,000 or any integral multiple thereof, will be dated the date of their delivery and will bear interest at the interest rate shown on the cover page. The principal of and interest on the Notes will be due on the maturity date thereof.

The Notes will be issued in fully registered form. When delivered, the Notes will be registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers will not receive Notes representing their ownership interest in the Notes purchased. Principal and interest on the Notes will be payable when due through the facilities of DTC, as described in "THE NOTES — Book-Entry Only System."

The Notes will not be subject to redemption prior to maturity.

The County first adopted its Teeter Plan in 1993. From 1993 to 1997, the County Treasurer's Pooled Investment Fund purchased notes backed by a pledge of the outstanding delinquent taxes, assessments, penalties and interest from taxing entities within the County that participate in the Teeter Plan (the "Revenue Districts"). The County first issued taxable and tax exempt commercial paper to finance the annual cash requirements of its Teeter Plan in 1997.

Since 1997, the County has issued taxable and tax exempt notes from time to time to finance the County's obligations to make distributions to the Revenue Districts, and to refund certain obligations of the County related to such obligations.

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\* Preliminary, subject to change.

The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on July 29, 1997, as supplemented from time to time (the "Master Teeter Resolution").

On July 31, 1997, the County, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Riverside (Case No. 299847) seeking judicial validation of the transactions relating to the Resolution (as originally adopted) and certain other matters. On September 12, 1997, the court entered a default judgment to the effect that, among other things, the Resolution (as defined below) and the Obligations issued pursuant to the Resolution (as defined below), including the Notes, represent valid and binding obligations of the County. The appeal period for the default judgment expired October 14, 1997. See "VALIDATION" herein.

Each year since 1997 the existing notes issued pursuant to the Master Teeter Resolution are paid down from collected delinquent taxes from the prior fiscal year, and subsequent additional notes issued pursuant to the Master Teeter Resolution to finance that year's obligations under the Teeter Plan. See "THE COUNTY — The Teeter Plan."

The County has agreed, in a Continuing Disclosure Certificate executed by the County in connection with the issuance of the Notes, to report the occurrence of specified "Material Events" to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System ("EMMA"). See "CONTINUING DISCLOSURE."

All quotations from, and summaries and explanations of, provisions of the laws of the State of California (the "State") and acts and proceedings of the County contained herein, do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the County relating thereto are qualified in their entirety by reference to the Notes and such proceedings.

## **THE NOTES**

### **Authority for Issuance**

The Notes are authorized to be issued pursuant to the Master Teeter Resolution, as amended and supplemented thereafter, including as supplemented on September 10, 2013 (collectively, the "Resolution"), and a Fiscal Agent Agreement, dated as of November 1, 1997, as amended, between The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as successor to U.S. Trust Company of California, N.A. (the "Fiscal Agent"), and the County (the "Fiscal Agent Agreement").

### **Purpose of Issue**

Pursuant to the Resolution, the proceeds of the sale of the Notes will be applied to refund a portion of the outstanding 2012 Series D Notes, to fund an advance of unpaid property taxes for agencies participating in the County of Riverside's Teeter Plan and to pay the costs of issuance related to the Notes. See "THE COUNTY — The Teeter Plan."

### **Description of the Notes**

The Notes will be registered in the name of Cede & Company, as nominee of The Depository Trust Company, New York, New York. DTC will act as securities depository of the Notes.

Individual purchases of the Notes will be made in book-entry form only, in denominations of \$5,000. Beneficial Owners (as defined below) of the Notes will not receive physical Notes representing the Notes purchased. The principal of, and interest on, the Notes will be paid on the maturity date of the Notes. The principal of and interest on the Notes will be paid by the County Treasurer-Tax Collector to the Fiscal Agent which will in turn remit such principal and interest to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Notes. See “— Book-Entry Only System” below.

The Notes will be dated, will mature, and will bear interest at the rate per annum as shown on the cover page hereof computed on the basis of a 360-day year composed of twelve 30 day months for the 2013 Series D Notes and actual days/360-day year for the 2013 Series E Notes. Interest on the Notes will be paid on the maturity date of the Notes. The Notes may be sold in Authorized Denominations of \$5,000 or any multiple thereof.

### **Redemption**

The Notes are not subject to redemption prior to their maturity date.

### **Security for the Notes**

The County has pledged the Series B Taxes to the payment of the Notes. The payment of the Notes is also secured by the County’s General Fund.

The Notes may be paid with lawfully available moneys in the County’s General Fund from available revenues generated in prior, the current or any subsequent fiscal year. For a description of the County and its finances, see APPENDIX A — “INFORMATION REGARDING THE COUNTY OF RIVERSIDE.”

The principal of and interest on the Notes will be payable from Series B Taxes (as hereinafter defined) and from lawfully available moneys in the County’s General Fund. The County has pledged the Series B Taxes (as hereinafter defined) to the payment of the Notes. “Series B Taxes” are defined as (i) the right to collect any uncollected property taxes due to the County and the other Revenue Districts for the fiscal years ended June 30, 1994 through and including June 30, 2013 and such other fiscal years, if any, as may be specified in a supplemental resolution, for which the County actually provides funding pursuant to the Law, (ii) all amounts received by the County upon the sale of property to recover such property taxes or assessments, and (iii) all amounts received by the County upon the redemption of properties for sale or previously sold to recover such property taxes or assessments, in each case to which the County is entitled as a consequence of electing to be governed by the Law, and in each case following an allocation by the County of the receipts of property taxes and assessments between the Revenue Districts and those public districts within the County that are not participating in the Teeter Plan; provided, however, that Series B Taxes shall not include (i) the right to collect delinquencies in property taxes due to an independent district for all fiscal years prior to the fiscal year in which the respective independent district agreed with the County that the Law shall apply to such independent district, (ii) default penalties, (iii) interest or redemption penalties, (iv) certain costs and fees paid pursuant to the Law and (v) the right to receive installment payments made pursuant to Section 4217 et seq. of the California Revenue and Taxation Code.



The office of the County Treasurer-Tax Collector serves as billing and collection agent for the basic 1% ad valorem property tax, voter approved ad valorem taxes and most additional special assessments and charges. The County Treasurer-Tax Collector bills property owners bi-annually, and payments not made by December 10 and April 10 are subject to a 10% delinquency penalty. Unpaid taxes begin accruing a 1.5% per month additional charge if unpaid at the end of the fiscal year (each June 30). Property owners are subject to foreclosure if delinquent taxes and penalties are not paid within five years.

Upon the collection of taxes and penalties the funds are deposited in a secured prior year trust account within the County's General Fund. Throughout the year the Auditor-Controller separates collected Teeter and non-Teeter taxes and penalties. Collected non-Teeter taxes are distributed to the non-Teeter taxing entities. The Teeter portion is separated between taxes and penalties and interest.

Receipts of the Series B Taxes are deposited into a Teeter Tax Account within the County's General Fund for debt service on the Notes. Penalties and interest are deposited into a Tax Losses Reserve Fund maintained by the County. In the event of a property sale at foreclosure which results in a loss, amounts to offset those losses are transferred from the Tax Losses Reserve Fund to the Teeter Tax Account. At the election of the County, the Tax Losses Reserve Fund is maintained at an amount equal to one of two methods: (1) 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for taxing entities participating in the Teeter Plan, or (2) 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for taxing entities participating in the Teeter Plan. Any excess over the required balance in the Tax Losses Reserve Fund is transferred to the County's General Fund. The County has always elected to maintain the Tax Losses Reserve Fund at an amount equal 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for taxing entities participating in the Teeter Plan. See "THE COUNTY — The Teeter Plan."

### **Fiscal Agent**

The Bank of New York Mellon Trust Company, N.A. is appointed as Fiscal Agent for the Notes. The County directs and authorizes the payment by the Fiscal Agent of the interest on and principal of the Notes when such become due and payable. Under the Resolution, the County has covenanted to transfer from the General Fund to the Fiscal Agent sufficient moneys to pay the principal of and interest on the Notes when due.

### **Defeasance of the Notes**

If the County shall pay or cause to be paid or there shall otherwise be paid to the Holders of all outstanding Notes the interest and principal thereof at the times and in the manner stipulated under the Resolution and described below in this Official Statement, then all agreements and covenants of the County to such Holders under the Resolution shall thereupon cease, terminate and become void and shall be discharged and satisfied.

Any Outstanding Notes shall, prior to the maturity date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Resolution if there shall have been deposited with the Fiscal Agent in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to prepayment prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Fiscal Agent at the

same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal of and the interest to become due on said Notes on the maturity date thereof. Neither the securities nor moneys deposited with the Fiscal Agent pursuant to the Resolution nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Notes. The Fiscal Agent shall have no right, title or interest in, or lien on, any moneys or securities deposited as described in this paragraph.

After the payment or deemed payment of all the interest and principal of all Outstanding Notes as provided in the Resolution and payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay over or deliver to the County all moneys or securities held by it pursuant to the Resolution which are not required for the payment of the interest and principal represented by such Notes. Owners of Notes shall thereafter be entitled to payments due under the Notes only from amounts deposited with the Fiscal Agent as described under this heading "Defeasance of the Notes" and from no other source.

For the purposes described above, "Defeasance Securities" means any of the following:

- (i) Cash;
- (ii) United States Treasury Bonds, Notes and Certificates (including State and Local Government Series - "SLGS");
- (iii) Direct obligations of the United States Treasury which have been stripped, including by the Treasury itself, CATS, TIGRS and similar securities;
- (iv) The interest component of Resolution Funding Corp strips which have been stripped by request to the Federal Reserve Bank of New York, in book entry form;
- (v) Pre-refunded municipal bonds rated "AAA" by Moody's and "AAA" by S&P;
- (vi) Obligations issued or fully guaranteed by the following agencies which are backed by the full faith and credit of the United States of America:
  - (a) U.S. Export-Import Bank  
Direct obligations or fully guaranteed certificates of beneficial ownership
  - (b) Farmers Home Administration  
Certificates of beneficial ownership
  - (c) Federal Financing Bank
  - (d) General Services Administration  
Participation certificates
  - (e) United States Maritime Administration  
Guaranteed Title XI financing

- (f) United States Department of Housing and Urban Development  
Project notes  
Local Authority Certificates  
New Communities Pool Notes - United States government guaranteed debentures  
United States Public Housing Notes and Certificates - United States government guaranteed public housing notes and bonds.

### **Book-Entry Only System**

The information herein describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and accredited by DTC while the Notes are registered in its nominee name. The information herein concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The County believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Notes, or notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes), or notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes 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 Note will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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.

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

Principal and interest payments on the Notes 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 Fiscal Agent, on the 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 or its nominee, the Fiscal Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the County or the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Notes 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, physical Note certificates will be printed and delivered.

**The County and the Fiscal Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal or interest with respect to the Notes paid to DTC or its nominee as the registered owner, or any 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. The County and the Fiscal Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Notes or any error or delay relating thereto.**

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

## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Notes, together with other moneys, are anticipated to be applied as follows:

### Sources:

Principal Amount of Notes	\$
Original Issue Premium	
Total Sources	\$

### Uses:

Payment of 2012 Series D Notes	\$
Teeter Advance	
Costs of Issuance	
Underwriters' Discount	
Total Uses	\$

## THE COUNTY

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and San Bernardino Counties. The County is the fourth largest county (by area) in the state and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 28 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,255,059 as of January 1, 2013, reflecting a 0.9% increase over January 1, 2012.

The County is a general law county divided into five supervisorial districts on the basis of registered voters and population. The County is governed by a five member Board of Supervisors (the "Board"), elected by district to serve staggered four year terms. The Chair of the Board is elected annually by the Board members. The County administration includes appointed and elected officials, boards, commissions and committees which assist the Board of Supervisors.

The County provides a wide range of services to residents, including police and fire protection, medical and health services, education, library services, judicial institutions and public assistance programs. Some municipal services are provided by the County on a contract basis to incorporated cities within its boundaries. These services are designed to allow cities to contract for municipal services such as police and fire protection without incurring the cost of creating city departments and facilities. Services are provided to the cities at cost by the County.

Three distinct geographical areas characterize the County: the western valley area, the higher elevations of the mountains and the desert areas. The western portion of the County, which includes the San Jacinto Mountains and the Cleveland National Forest, experiences the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions.

See APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE" for a more detailed description of the County.

## **The Teeter Plan**

With respect to collection of property taxes, the County has adopted the Teeter Plan which is an alternate procedure authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the "Law"), commonly referred to as the "Teeter Plan" for distribution of certain property tax and assessment levies on the secured roll.

Pursuant to the Law the County adopted the Teeter Plan in 1993. 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 then receives all future delinquent tax payments, penalties and interest. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95% of the total then-prior years' delinquent secured property taxes and 100% of the then-current year's secured roll levy. Supplemental taxes are currently excluded from the Teeter Plan.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two thirds of the participating districts in the county. An electing county may, however, determine to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency.

Taxing entities that are required to maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In fiscal year 2012-13, approximately 76% of all taxing entities effectively participated in the Teeter Plan, representing approximately 55% of the total secured property tax levied in Fiscal Year 2012-13.

Pursuant to the Law, the County is required to establish a 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). The appropriate amount in the fund is determined by one of two methods: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. Any amount in excess of the 1% or 25% level determined pursuant to either method of calculation may be credited to the County's General Fund. The County is currently governed by the first alternative, and this amount has consistently been sufficient to provide for any tax losses.

Since 1997, the County has issued taxable and tax exempt notes from time to time, such as the Notes, to finance the County's obligations to make distributions to the Revenue Districts pursuant to the Teeter Plan, and to refund certain obligations of the County related to such obligations. The

County manages the program on a continuous basis paying down the amount outstanding with collections of prior years' taxes, funding the current year's advance and rolling over any unpaid amounts.

From fiscal year 1997-98 through fiscal year 2006-07, the size of the Teeter Plan obligations fluctuated between approximately \$24 million and \$90 million, producing annual net revenue to the County's General Fund of approximately \$14 million to \$25 million. In fiscal year 2007-08, the Teeter Plan grew to approximately \$168.4 million and peaked at approximately \$266.6 million in fiscal year 2008-09. For the last five fiscal years the annual Teeter revenues averaged \$45 million. The County estimates the Teeter Plan obligations will be approximately \$120\* million in fiscal year 2013-14. The following Table 1 sets forth the aggregate principal amount of the Teeter Plan obligations issued in fiscal years 2007-08 through 2012-13.

**TABLE 1**  
**COUNTY OF RIVERSIDE**  
**TEETER PLAN OBLIGATIONS ISSUED**  
**FISCAL YEARS 2007-08 THROUGH 2012-13**

<i>Fiscal Year</i>	<i>Principal Amount</i>
2007-08	\$168,436,000
2008-09	266,629,000
2009-10	257,300,000
2010-11	206,805,000
2011-12	171,325,000
2012-13	142,840,000
2013-14	120,000,000*

Source: County of Riverside.

The County accounts for the Teeter Plan in its audited financial statements by listing the amount of Notes payable with its other liabilities; including unpaid taxes with its other receivables; and including apportioned prior years' taxes on deposit with other restricted cash. The taxes receivable are listed in their principal amount without any penalties or accrued interest. See APPENDIX B — "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

Since the Teeter Program is ongoing, the County must have annual access to cash, either through the issuance of Teeter notes, such as the Notes, or other alternative sources of cash. Should market access for Teeter notes be limited, and no private or direct bank placements options be available, the County has two voluntary options to meet the redemption of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts.

One of the County's options is to have the County Treasurer's Pooled Investment Fund (the "PIF") purchase the Teeter notes. Such Teeter notes have been purchased by the PIF in the past. The PIF is much larger than the aggregate principal amount of the Notes (approximately \$120\* million) and could be easily accommodated by the current PIF size (approximately \$5.58 billion as of May 31, 2013). The PIF is considering purchasing some or all of the 2013 Series E Notes. Formal

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\* Preliminary, subject to change.



Board of Supervisors and County Treasurer approval would be required in order for the PIF to purchase Teeter notes. See APPENDIX A — Riverside County Treasurer's Pooled Investment Fund."

Another option for the County to meet the redemption requirements of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts would be for the County to advance funds from the General Fund. Lawfully available moneys in the County's General Fund are pledged to the repayment of the Notes, and the continuation of the Teeter Program is beneficial to the County's over-all financial condition. Should additional cash be needed, the County may borrow lawfully available moneys in the County's General Fund to meet the redemption of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts. Such General Fund borrowings to meet the redemption of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts have been authorized by the Board of Supervisors. See "— The General Fund" herein.

Additionally, the County Treasurer and the County Auditor-Controller have an operating agreement to facilitate such General Fund borrowings by allowing the General Fund account in which the County Pool is deposited to run a negative balance. The amount by which the balance in the General Fund account in which the County Pool is deposited may be negative is capped by the amount the County may borrow. Such operating agreement allows for a seamless mechanism. It also spreads the loan across all County funds, minimizing the impact on any single fund and the need to manage individual fund balances. The Government Code section allows such borrowings on an indefinite basis, stipulating repayment prior to such date that funds are needed in the originating funds. The County has utilized this approach for many years including during the 1990s when the County carried a substantial year-end negative cash balance in the General Fund.

### **Tax Collections**

The operation of the County's property tax system is shared by three elected officials: the County Assessor, the County Treasurer Tax-Collector and the County Auditor-Controller. The County Treasurer-Tax Collector bears primary responsibility for billing and collection, while the Auditor-Controller is responsible for accounting and apportionment issues. Payments not made by December 10 and April 10 are subject to a 10% delinquency penalty. Unpaid taxes begin accruing a 1.5% per month additional charge if unpaid at the end of the fiscal year (each June 30). The following Table 2 sets forth the secured property tax levy and collections for fiscal years 2001-02 through 2012-13.

**TABLE 2**  
**COUNTY OF RIVERSIDE**  
**AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS**  
**FISCAL YEARS 2001-02 THROUGH 2012-13**  
**SECURED PROPERTY TAX ROLL<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>Secured Property Tax Levy<sup>(2)</sup></i>	<i>Current Levy Delinquent June 30</i>	<i>Percentage of Current Taxes Delinquent June 30<sup>(2)</sup></i>	<i>Total Collections<sup>(3)</sup></i>	<i>Percentage of Total Collections to Current Levy</i>
2001-02	\$1,209,745,112	\$42,292,916	3.50%	\$1,235,188,224	102.10%
2002-03	1,348,190,139	44,478,022	3.30	1,388,639,880	103.00
2003-04	1,506,949,011	42,164,689	2.80	1,571,572,091	104.29
2004-05	1,747,034,222	55,557,116	3.18	1,797,065,686	102.86
2005-06	2,094,068,686	88,930,195	4.25	2,116,369,838	101.06
2006-07	2,559,448,076	180,175,146	7.04	2,532,293,674	98.94
2007-08	2,964,341,768	255,672,935	8.62	2,928,205,634	98.78
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	70,921,563	2.65	2,805,588,954	104.96
2012-13	2,677,034,057	58,215,544	2.17	2,800,820,511	104.62

<sup>(1)</sup> The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

<sup>(2)</sup> Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund; penalties and interest thereon deposited to the Tax Loss Reserve Fund.

<sup>(3)</sup> Includes current and prior years' redemptions, penalties and interest; refunds charged to current year collections as a result of corrections and roll changes.

Source: County Auditor-Controller.

Property owners are subject to foreclosure if delinquent taxes and penalties are not paid within five years. Tax sale is the County's ultimate collection tool; at the same time the County may realize a tax loss upon sale. The County is required to transfer the amount of any tax loss from the Tax Losses Reserve Fund to the Teeter Debt Service Account. The required balance in the Tax Losses Reserve Fund for Fiscal Year 2012-13 is approximately \$14.8 million. The County's history of tax sales has been favorable, with minimal losses experienced over the last ten years. The following Table 3 sets forth the Teeter Plan losses in fiscal years 2001-02 through 2012-13.

**TABLE 3**  
**COUNTY OF RIVERSIDE**  
**TEETER LOSSES IN FISCAL YEARS 2001-02 THROUGH 2012-13**

<i>Fiscal Year</i>	<i>Projected Tax Loss</i>	<i>Projected Teeter Loss<sup>(1)</sup></i>	<i>Actual Tax Loss<sup>(1)</sup></i>	<i>Actual Teeter Loss<sup>(2)</sup></i>
2001-02	\$ 1,547,504.66	\$ 1,083,620.00	\$ 926,956.78	\$ 648,869.74
2002-03	560,784.00	392,736.80	179,262.86	125,484.00
2003-04	1,060,115.30	787,265.37	112,792.59	93,617.85
2004-05	387,710.76	307,171.46	54,900.27	40,077.21
2005-06	934,648.98	654,254.29	510,153.97	378,483.25
2006-07 <sup>(3)</sup>	-	-	-	-
2007-08	67,681.48	49,712.06	40,026.93	29,379.77
2008-09	312,262.33	232,260.74	151,005.46	112,197.06
2009-10	297,323.41	218,740.84	273,665.55	201,853.93
2010-11	246,887.56	133,887.11	235,583.74	127,750.50
2011-12	571,731.15	314,605.46	249,452.87	137,310.17
2012-13	649,110.18	357,400.07	80,748.55	44,411.71

(1) Assuming tax sale at the minimum authorized bid.

(2) Based on the percentages provided by the Auditor's office of those agencies that participate in teeter.

(3) There was only one tax sale in Fiscal Year 2006-07 which did not result in a tax loss.

Source: County of Riverside.

### **The General Fund**

In addition to Series B Taxes, the Notes are payable from the County's General Fund. For Fiscal Year 2013-14, the County projects that approximately 42.5% of its General Fund budget revenues will consist of payments from the State and 21.1% will consist of payments from the Federal government. Discretionary revenue is budgeted to increase from \$572 million in Fiscal Year 2012-13 to \$586.6 million in Fiscal Year 2013-14, an increase of approximately 3% from the Fiscal Year 2012-13 adjusted budget estimates. The adopted budget includes a 3% increase in discretionary spending of approximately \$16.7 million from the prior fiscal year. See APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE — FINANCIAL INFORMATION."

Property tax revenue is budgeted at approximately \$266.2 million for Fiscal Year 2013-14, and represents approximately 45.4% of the County's discretionary revenue. Preliminary indications from the County Assessor assume a potential increase in assessed valuation in Fiscal Year 2013-14 of approximately 3.5% from Fiscal Year 2012-13. Because projections of assessed valuations are volatile, for budgetary purposes assessed valuation is assumed to remain consistent with Fiscal Year 2012-13. In July 2013, the County Assessor announced the Fiscal Year 2013-14 assessment roll grew by approximately 3.95%.

The following table compares the General Fund budgets for each of the last five fiscal years as initially adopted by the Board of Supervisors. During the course of each fiscal year, a budget may be amended to reflect adjustments to receipts and expenditures that have been approved by the Board of Supervisors.

**TABLE 4**  
**COUNTY OF RIVERSIDE**  
**ADOPTED GENERAL FUND BUDGETS<sup>(1)</sup>**  
**FISCAL YEARS 2009-10, 2010-11, 2011-12, 2012-13 AND 2013-14**  
**(IN MILLIONS)**

	<i>2009-10 Budget</i>	<i>2010-11 Budget</i>	<i>2011-12 Budget</i>	<i>2012-13 Budget</i>	<i>2013-14 Budget<sup>(4)</sup></i>
<b><u>REQUIREMENTS</u></b>					
General Government	\$ 239.2	\$ 175.3	\$ 174.4	\$ 180.4	\$ 179.5
Public Protection	1,055.2	1,062.4	1,060.0	1,072.1	1,132.4
Public Ways and Facilities	2.2	0.0	0.0	0.0	0.0
Health and Sanitation	395.2	396.0	411.9	430.1	485.9
Public Assistance	815.5	780.0	802.9	762.3	835.7
Education	0.4	0.6	0.6	0.6	0.6
Recreation and Cultural	0.3	0.3	0.4	0.0	0.4
Debt Retirement-Capital Leases	6.8	6.8	5.0	5.0	4.9
Contingencies	30.0	20.0	20.0	7.0	20.0
Increase to Reserves	(12.8)	17.5	2.4	2.3	2.3
Total Requirements <sup>(2)</sup>	<u>\$ 2,532.0</u>	<u>\$ 2,458.9</u>	<u>\$ 2,477.7</u>	<u>\$ 2,459.8</u>	<u>\$ 2,661.7</u>
<b><u>AVAILABLE FUNDS</u></b>					
Use of Fund Balance and Reserves <sup>(3)</sup>	\$ 112.8	\$ 107.8	\$ 90.1	\$ 74.0	\$ 78.3
Estimated Revenues:					
Property Taxes	244.9	222.4	214.9	211.5	229.9
Other Taxes	46.1	46.0	35.5	35.0	31.0
Licenses, Permits and Franchises	20.7	19.8	18.1	17.7	17.6
Fines, Forfeitures and Penalties	55.7	58.0	56.2	51.7	49.3
Use of Money and Properties	13.5	11.2	10.0	7.4	6.3
Aid from Other Governmental Agencies:					
State	962.0	921.7	936.3	1,005.5	1,097.4
Federal	511.1	501.2	506.7	493.9	544.9
Charges for Current Services	452.7	461.0	462.8	442.6	469.1
Other Revenues	112.5	111.9	147.7	120.5	137.9
Total Available Funds <sup>(2)</sup>	<u>\$ 2,532.0</u>	<u>\$ 2,458.9</u>	<u>\$ 2,477.7</u>	<u>\$ 2,459.8</u>	<u>\$ 2,661.7</u>

<sup>(1)</sup> Prior to fiscal year 2010-11, State Controller identified an "Adopted" budget as a "Final" budget. Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.

<sup>(2)</sup> Column numbers may not add up to totals due to rounding.

<sup>(3)</sup> See APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE — FINANCIAL INFORMATION — Financial Statements and Related Issues" for the actual General Fund balance at the end of fiscal years 2007-08 through 2011-12.

<sup>(4)</sup> Based on the fiscal year 2013-14 Recommended Budget. The County expects to adopt the final fiscal year 2013-14 budget in September 2013.

Source: County Auditor-Controller.

The following table compares the actual beginning and ending balances in the General Fund budgets for fiscal years 2007-08 through 2011-12.

**TABLE 5**  
**COUNTY OF RIVERSIDE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN UNRESERVED FUND BALANCES – GENERAL FUND**  
**FISCAL YEARS 2007-08 THROUGH 2011-12**  
**(In Thousands)**

	<i>Fiscal Year 2007-08</i>	<i>Fiscal Year 2008-09</i>	<i>Fiscal Year 2009-10</i>	<i>Fiscal Year 2010-11</i>	<i>Fiscal Year 2011-12</i>
BEGINNING FUND BALANCE	\$ 570,964	\$ 481,776 <sup>(1)</sup>	\$ 372,121	\$ 386,486	\$ 343,562
REVENUES					
Taxes	309,295	274,480	229,631	221,807	216,746
Licenses, permits and franchises	24,525	19,840	16,724	18,187	17,648
Fines, forfeitures and penalties	90,788	107,147	112,813	93,528	88,979
Use of money and property – Interest	61,623	33,414	12,197	8,196	4,740
Use of money and property –					
Rents and concessions	2,578	3,157	3,936	3,669	3,798
Government Aid – State	905,998	908,334	820,432	856,327	931,652
Government Aid – Federal	473,731	472,210	504,605	490,088	475,221
Governmental Aid-Other	95,808	95,812	89,312	82,147	80,332
Charges for current services	358,767	364,649	367,249	369,780	354,451
Other revenues	29,308	36,149	30,670	37,654	40,852
TOTAL REVENUES	\$ 2,352,421	\$ 2,315,192	\$ 2,187,569	\$ 2,181,383	\$ 2,214,419
EXPENDITURES					
General government	\$ 145,290	\$ 146,816	\$ 130,516	\$ 109,146	\$ 127,195
Public protection	1,032,582	1,062,437	1,005,679	1,025,584	1,010,999
Public ways and facilities	4,717	4,378	-	-	-
Health and sanitation	368,753	382,588	333,068	345,649	369,165
Public assistance	704,404	719,328	712,353	731,017	719,670
Education	464	675	551	548	579
Recreation and cultural	206	230	312	364	324
Capital Outlay	8,670	22,746	31,018	8,321	2,671
Debt service	26,132	22,501	21,876	24,829	21,426
TOTAL EXPENDITURES	\$ 2,291,218	\$ 2,361,699	\$ 2,234,373	\$ 2,245,458	\$ 2,252,029
Excess (deficit) of revenues over (under) expenditures	61,203	(46,507)	(47,804)	(64,075)	(37,610)
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	\$ 104,892	\$ 99,825	\$ 168,833	\$ 106,047	\$ 23,587
Transfer to other funds	(269,961)	(185,719)	(132,682)	(93,217)	(98,045)
Capital Leases	8,670	22,746	31,018	8,321	2,671
Total other Financing Sources (Uses)	\$ (153,399)	\$ (63,148)	\$ 62,169	\$ 21,151	\$ 28,213
NET CHANGE IN FUND BALANCES	\$ (92,196)	\$ (109,655)	\$ 14,365	\$ (42,924)	\$ (9,397)
FUND BALANCE, END OF YEAR <sup>(2)</sup>	\$ 478,768	\$ 372,121	\$ 386,486	\$ 343,562	\$ 336,598

<sup>(1)</sup> Beginning fund balance 2008-09 does not equal prior year ending fund balance due adjustments to prior year revenue accrual and expenditures.

<sup>(2)</sup> As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller.

Disruptions in payments to the County from the State, whether temporary or permanent, will require further adjustments to the 2012-13 and 2013-14 budgets. Deferrals in State payments may jeopardize the County's ability to maintain core discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services. The County is continuously monitoring developments at the State and local level, and may be required to make adjustments to its budget from time to time. See "STATE OF CALIFORNIA BUDGET INFORMATION" herein.

For additional information concerning the County's General Fund and the County's finances, see APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

*Alternative and Other Restricted Cash Resources.* California Government Code Section 25252 authorizes the Board of Supervisors of the County to establish and abolish funds necessary for the proper transaction of the business of the County and further provides that the Board of Supervisors may authorize the County Auditor to perform this function. In addition, California Government Code Section 25252 authorizes the Board of Supervisors to make transfers from one fund to another as the public interest requires and further provides that the Board of Supervisors may by resolution authorize the County Auditor to make such transfers of money from one fund to another if the Board of Supervisors has authority over each such fund, as the public interest requires. Pursuant to Resolution 2010-205, adopted by the Board of Supervisors on August 10, 2010, the Board of Supervisors has authorized the County Auditor to make temporary transfers of money between those funds under the authority of the Board of Supervisors as the public interest may require. Additionally, the Board of Supervisors has adopted a General Fund Balance and Reserve Policy which does not preclude the use of temporary transfers of money between funds. While the County has made temporary transfers of money between funds from time to time subsequent to the adoption of Resolution 2010-205, the County has not exercised such authority with respect to any Teeter Obligations in any of the last three fiscal years.

Set forth in Table 6 below are the actual alternative cash resources available to the County from the specified funds as of the dates set forth in such table. Pursuant to the authority granted in Resolution 2010-205, the County Auditor is authorized, without further Board of Supervisors approval, to transfer such moneys from one County fund to another County fund as the public interest may require, including transfers to the General Fund for the payment of the Notes. However, transfers from non-County funds, including, without limitation, the Flood Control, Perris Valley Cemetery and District Court Financing Corp. funds, would require additional action by the Board of Supervisors. There is no prescribed time period for the repayment of temporary transfers from one fund to another. The County Auditor has the authority to determine the timing of such repayments based on the needs of the respective funds.

**TABLE 6**  
**COUNTY OF RIVERSIDE**  
**ALTERNATIVE AND OTHER RESTRICTED CASH RESOURCES**  
**(in Thousands)**

<i>Fund Type</i>	<i>Fund Purpose</i>	<i>Audited Actual Balance June 30, 2012</i>	<i>Unaudited Actual Balance June 30, 2013</i>
Special Revenue	Transportation	\$158,480	\$167,714
Special Revenue	Flood Control	258,649	268,171
Special Revenue	Community Services	47,163	50,363
Special Revenue	Redevelopment	77,198	-
Special Revenue	County Services Areas	20,240	21,774
Special Revenue	Other Special Revenue	23,372	22,584
Capital Project	Public Facilities	247,348	209,203
Capital Project	Crest	9,576	9,327
Capital Project	PSEC	1,239	3,780
Enterprise	County Service Areas	193	126
Enterprise	Flood Control	2,607	2,772
Enterprise	Regional Medical Center	21,373	(42,000)
Enterprise	Waste Management	102,761	164,506
Internal Service	Records Management and Archive	1,365	1,341
Internal Service	Fleet Service	10,621	14,294
Internal Service	Information Service	10,277	9,894
Internal Service	Printing Service	2,533	2,940
Internal Service	Supply Services	3,795	3,008
Internal Service	OASIS Project	5,833	4,883
Internal Service	Risk Management	172,035	177,671
Internal Service	Temporary Assistance Pool	2,905	2,363
Internal Service	Flood Control Equipment	6,386	7,169
Internal Service	EDA Facilities Management	7,421	8,927
<b>Total Alternative Cash Resources</b>		<u><b>\$1,193,370</b></u>	<u><b>\$1,110,810</b></u>
Permanent fund	Perris Valley Cemetery	\$ 490	\$ 518
Special Revenue	Regional Park and Open-Space	10,712	8,712
Special Revenue	Air Quality Improvement	572	387
Special Revenue	In-Home Support Services	1,221	1,199
Capital Project	Perris Valley Cemetery	739	628
Capital Project	Flood Control	44	114
Debt Service	Regional Park and Open-Space	8,951	9,857
Enterprise	District Court Financing Corp	242,968	249,411
Trust and Agency	Housing	203,638	229,668
Debt Service	Pension Obligation	5,876	4,632
Other	Children and Families Commission	42,212	43,904
<b>Other Cash Resources of Riverside County</b>		<u><b>\$ 517,423</b></u>	<u><b>\$ 549,030</b></u>

<i>Fund Type</i>	<i>Audited Actual Balance June 30, 2012</i>	<i>Unaudited Actual Balance June 30, 2013</i>
Alternative Cash Resources	\$ 1,193,370	\$ 1,110,810
Other Restricted Cash	517,423	549,030
General Fund Unrestricted Cash	151,845	152,765
<b>All Riverside County Cash</b>	<u><b>\$ 1,862,638</b></u>	<u><b>\$ 1,812,605</b></u>

Source: County Auditor-Controller.

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

### **Article XIII A of the State Constitution**

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A was subsequently amended in 1986, as discussed below. 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. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill under 'full cash' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have 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 subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster.

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 the County continues as part of its allocation in future years.

### **Article XIII B of the State Constitution**

On November 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 limitation 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.

The County's appropriations limit for the fiscal year 2012-13 was \$2,246,378,720 and the amount shown in its budget for that year as the appropriations subject to limitation was \$1,119,274,762. The County's appropriations limit for fiscal year 2013-14 is \$2,388,219,717 and the amount subject to the limitation is \$862,139,716.

#### **Article XIII C and Article XIII D of the State Constitution**

Articles XIII C and XIII D of the California Constitution were added in 1996. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes require a two-thirds vote. In addition, Article XIII C removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. As a result, voters of the County could approve initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund. No such initiative is currently pending, or to the knowledge of the County, proposed.

Article XIII D imposes requirements and limitations for "assessments" for governmental services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIII D limits "fees" and "charges," defined to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." Property related fees and charges (i) must not generate revenues exceeding the funds required to provide the property related service, (ii) must not be used for any purpose other than those for which the fees and charges are imposed, (iii) must be for a service actually used by, or immediately available to, the owner of the property in question, or (iv) must not be 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 County 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 County 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 XIIIID, 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.

## **Proposition 62**

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, (f) required that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988 (a requirement that was subsequently declared unconstitutional, as described below) and (g) requires a reduction of *ad valorem* property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. For example, in *City of Woodlake v. Logan*, 230 Cal.App.3d 1058 (1991) (the "Woodlake Case"), the Court of Appeal held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. In reliance on the Woodlake Case, numerous taxes were imposed or increased after the adoption of Proposition 62 without satisfying the voter approval requirements of Proposition 62. On September 28, 1995, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "Santa Clara Case"), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. In deciding the Santa Clara Case on Proposition 62 grounds, the Court disapproved the decision in the Woodlake Case.

The decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In this decision, the court held that a 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.

## **Right To Vote on Taxes Initiative; Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination. Proposition 218 (Article XIII C) requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax which a County 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 which must be held within two years of November 5, 1996.

Proposition 218 (Article XIII D) also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

Proposition 218 (Article XIII C) also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of any County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund.

Implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

### **Proposition 1A**

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in 2007-08 fiscal year, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. The State may also approve voluntary exchanges of local sales tax and property tax

revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable County revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the finances of the County. See APPENDIX A — “INFORMATION REGARDING THE COUNTY OF RIVERSIDE — FINANCIAL INFORMATION — Impacts of State Budget.”

### **Assessment Appeals and Assessor Reductions**

Pursuant to California law, a property owner may apply for a reduction of the 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). 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 and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated. The County has been affected by a reduction in taxable property assessed values due to successful property owner appeals and unilateral reductions by the County Assessor, and may experience additional reductions in the future.

Timing is an important consideration with respect to the property valuation process. Values are set for the current year with a valuation date as of the preceding January 1. Changes in market value subsequent to the January 1 valuation date are not reflected until the subsequent year. Therefore, there is an inherent lag in the process.

The County Assessor prepares the tax roll in each spring and summer. Owners are notified of changes in valuation by the early fall and have the ability to file an appeal. The deadline for appeals in the County is November 30th. Current year appeals take a number of months to process and typically are not resolved by the end of the fiscal year.

Assessor-initialized reductions will represent the bulk of adjustments to the tax roll during a time of a market decline. To date, approximately 78% of the fiscal year assessment appeals have been completed. The majority of the remaining fiscal year 2011-12 assessment appeals are expected to be completed by November 30, 2013. For fiscal year 2012-13, approximately 337,000 properties on the County's tax rolls reflect a Proposition 8 reduction. Those adjustments are completed prior to the finalization of the roll in the summer. The vast majority of property tax appeals filed are not upheld. From 2003 to 2012 the dollar amount of successful appeals only equaled approximately 5%. For fiscal year 2011-12 that figure was approximately 2%. See APPENDIX A — "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the County.

### **STATE OF CALIFORNIA BUDGET INFORMATION**

*The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal or interest due with respect to the Notes is payable from any funds of the State.*

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2012-13, approximately 42.1% of the County's General Fund budget revenues consist of payments from the State and 20.7% consists of payments from the Federal government. For Fiscal Year 2013-14, the County projects that approximately 42.5% of its General Fund budget revenues will consist of payments from the State and 21.1% will consist of payments from the Federal government.

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County neither takes any responsibility for or guarantees the accuracy or completeness thereof. The County has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at its website. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

For a description of certain potential impacts of the State budget on the finances and operations of the County, see APPENDIX A — “INFORMATION REGARDING THE COUNTY OF RIVERSIDE – Financial Information – Impacts of State Budget” attached hereto.

***State Budget for Fiscal Year 2012-13.*** In June 2012, the State budget for Fiscal Year 2012-13 (the “2012 Budget Act”) was enacted. The 2012 Budget Act recognized a budget gap of \$15.7 billion, comprised of a 2011-12 estimated deficit of \$6.9 billion and a 2012-13 projected deficit, absent corrective actions, of \$8.8 billion. The 2012 Budget Act included a combination of new taxes and expenditure reductions to close the gap.

To address the deficit, the 2012 Budget Act included \$8.1 billion in expenditure reductions, \$6.0 billion in additional revenues and \$2.5 billion in other budget solutions. The 2012 Budget Act proposed that voters approve, at the November 2012 election, an increase in personal income tax on the State’s wealthiest individuals for seven years and an increase in sales tax of one-quarter percent for four years. The 2012 Budget Act included a “backup plan” if the ballot measure was not approved by the voters, which would have required \$5.9 billion in further cuts including further impacts on education and public safety.

Features of the 2012 Budget Act affecting counties in general include the following:

(a) A permanent funding structure for the general realignment adopted in the 2011 Budget Act would be implemented, designed to provide local entities with a known and stable funding source for re-aligned programs. Counties would be responsible for drawing down the maximum amount of federal funding the re-aligned programs and, where applicable, meeting associated federal requirements.

(b) Reductions in expenditures at the State level in areas such as health and human services will have a significant impact on counties, which already shoulder the burden of administering health-related state-funded services.

(c) Reductions of \$469.1 million in expenditures for CalWORKs. Counties are responsible under State law for providing cash assistance to families unable to support themselves and ineligible for other State and Federal programs, and a reduction in state funding may require counties to supplement their assistance.

In the event the State reduces funding for State-funded County programs, the County does not expect to backfill such reductions from other sources unless otherwise required by law, thereby resulting in corresponding reductions in County services.

The 2012 Budget Act included The Schools and Local Public Safety Protection Act (the “Governor’s Tax Initiative”), which was approved by a majority of the voters at the November 2012 election. The passage of the Governor’s Tax Initiative temporarily increases the personal income tax on the state’s wealthiest taxpayers for seven years, increases the sales tax by one-quarter percent for four years, and guarantees most of these new revenues to schools. The Legislative Analyst Office estimates that, as a result of the Governor’s Tax Initiative, additional state tax revenues of about \$6 billion annually from Fiscal Year 2012-13 through Fiscal Year 2016-17 will be received by the State, with lesser amounts of additional revenue available in Fiscal Years 2011-12, 2017-18 and 2018-19. These additional revenues will be available to fund programs in the 2012 Budget Act and prevent spending reductions of approximately \$6 billion in Fiscal Year 2012-13, mainly to education

programs. The Governor's Tax Initiative also adds to the State Constitution certain requirements related to the transfer of specified State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees and providing substance abuse treatment services.

***Proposed State Budget for Fiscal Year 2013-14 and May Revision.*** On May 14, 2013, Governor Brown released the May Revision to the budget for Fiscal Year 2013-14 originally proposed in January 2013 (as revised, the "Proposed 2013-14 Budget"). The Proposed 2013-14 Budget included an estimated \$97.2 billion in revenues and transfers and planned spending of \$96.3 billion. The Proposed 2013-14 Budget includes an expected spending increase of 5% from the 2012 Budget Act and includes an additional \$2.7 billion in Proposition 98 funding, accounting for approximately 57% of General Fund spending. The Proposed 2013-14 Budget also contains a surplus of approximately \$1.7 billion.

Significant features of the Proposed 2013-14 Budget pertaining to counties include the following:

- ***Impact of Health Care Reform***—The Proposed 2013-14 Budget proposes the state-based approach to the optional expansion of health care, whereby the State will assume greater financial responsibility for health care programs. The Proposed 2013-14 Budget is based on the assumption that increased coverage will generate substantial savings for the counties which pay for care for adults who are not currently eligible for Medi-Cal through their local indigent health care services programs. Counties currently meet this responsibility by operating facilities including hospitals and clinics and/or by contracting with private providers. Under the proposed state-based approach, county costs and responsibilities for indigent health care are expected to decrease, but the Proposed 2013-14 Budget proposes that savings will be calculated based on the actual experience of each county by measuring actual county costs for providing services and the revenue received for such services. The Proposed 2013-14 Budget redirects to the State any such savings to support human services programs at the local level.
- ***Redevelopment Agency Funds***—In those areas that contained redevelopment agencies, the 2013-14 Proposed Budget estimates that over Fiscal Year 2012-13 and Fiscal Year 2013-14, approximately \$1.4 billion in redevelopment agency funds will be distributed back to counties.
- ***CalWORKs Employment Services***—The 2013-14 Proposed Budget includes an increase of \$191.1 million in fiscal year 2013-14 to support the CalWORKs refocusing measures enacted by SB 1041. Counties will assume greater financial responsibility for CalWORKs, CalWORKs-related child care programs and CalFresh (food stamps). Counties will need to enhance and expand their array of employment services and job development activities for program participants, and intensify case management efforts for individuals not currently participating in activities that will eventually lead to self-sufficiency.
- ***In-Home Supportive Services ("IHSS")***—The 2013-14 Proposed Budget includes \$1.8 billion General Fund for the IHSS program in Fiscal Year 2013-14, a 4.9% increase over the revised Fiscal Year 2012-13 budget and 6.5% increase from the 2012 Budget Act. An increase of \$47.1 million is related to the recently enacted county maintenance-of-effort requirement ("MOE"). Effective July 1, 2012, counties' share of the non-federal

portion of IHSS costs is based on actual expenditures by counties in fiscal year 2011-12. The counties MOE requirement will increase by 3.5 percent annually, beginning in fiscal year 2014-15.

- **Property Tax Revenues.** Statewide property tax revenues are estimated to increase 1.3% in Fiscal Year 2012-13 and 2.8% in Fiscal Year 2013-14. The base 1 percent rate is expected to generate roughly \$50.9 billion in revenue in Fiscal Year 2013-14, of which roughly half (\$27.2 billion) will go to K-14 schools. Of this amount, approximately \$1.5 billion is shifted from schools to cities and counties to replace sales and use tax revenues redirected from those entities to repay the State's Economic Recovery Bonds, and approximately \$6.1 billion is shifted from schools to cities and counties to replace Vehicle License Fee ("VLF") revenue losses stemming from the reduced VLF rate. Local governments now receive property tax revenue to compensate them for the loss of VLF revenue. In Fiscal Year 2013-14 the estimated value of the VLF backfill to cities and counties is \$6 billion. The value of the reduction from 2% to 0.65% is \$4.1 billion.

On June 28, 2013, Governor Brown signed and enacted the 2013-14 Budget Act.

**Legislative Analyst's Office Response to 2013-14 Proposed Budget.** The Legislative Analyst's Office (the "LAO") released its Overview of the 2013-14 Proposed Budget on January 14, 2013 and its overview of the May Revision on May 17, 2013 (together, the "LAO Overview"). The LOA Overview notes that the 2013-14 Proposed Budget reflects a significant improvement in the State's finances due to a continuing modest economic recovery, prior budgetary actions, and voter approval of certain revenue-raising measures at the November 6, 2012 general election. According to the LAO, the State has now reached a point where its underlying expenditures and revenues are roughly in balance so that State-supported program and service levels established in Fiscal Year 2012-13 will generally continue "as is" in Fiscal Years 2013-14 and 2014-15. The LAO believes that because there are still considerable risks to revenue estimates, given uncertainty surrounding federal fiscal policy and the volatility inherent in the State's revenue system, the Governor's focus on fiscal restraint and paying off debts is appropriate. The LAO also notes that the State is currently expected to end Fiscal Year 2012-13 with a surplus of \$167 million and to end Fiscal Year 2013-14 with a \$1 billion surplus, and that the 2013-14 Proposed Budget projects a multi-year forecast that revenues will continue to exceed expenditures annually, accumulating to a projected \$2.5 billion general fund surplus by Fiscal Year 2016-17.

**Future State Budgets.** No prediction can be made by the County as to whether the State will encounter budgetary problems in future fiscal years, and if this occurs, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on County finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, over which the County has no control.

## **SPECIAL RISK FACTORS**

The following information should be considered by prospective investors in evaluating the Notes. However, this information does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Notes.



## **Limitations on Remedies; Bankruptcy**

The rights of the owners of the Notes are subject to the 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. Additionally, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the County, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose; and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

## **Federal Income Tax Consequences**

Certain federal income tax consequences of an investment in the Notes are discussed under "TAX MATTERS." Each prospective purchaser of the Notes should consult with his or her own tax advisor to determine the specific effects of an investment in the Notes based upon such prospective investor's particular tax situation.

## **Loss of Tax Exemption**

Bond Counsel's form of opinion regarding the exclusion from gross income for federal income tax purposes of interest on the 2013 Series D Notes appears as APPENDIX C herein. The County has covenanted in the Resolution to comply with each applicable requirement of the Internal Revenue Code of 1986, as amended, and has executed a Tax Certificate prepared by Bond Counsel and delivered by the County concurrently with the original delivery of the 2013 Series D Notes as guidance for compliance with such provisions. The interest on the 2013 Series D Notes could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the 2013 Series D Notes as a result of acts or omissions of the County in violation of such covenants in the Tax Certificate. Should such an event of taxability occur, the 2013 Series D Notes are not subject to redemption and will remain outstanding until maturity. See "TAX MATTERS" herein.

## **Economy of the County and the State**

The level of tax revenues collected at any time is dependent upon the level of retail sales and real property values within the County, which levels are dependent, in turn, upon the level of economic activity in the County and the State generally. The economy of the County is currently experiencing a continued slowdown as evidenced by an increased unemployment rate, a slowdown in total personal income and taxable sales, a drop in residential building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums and an increase in notices of default on mortgage loans secured by homes and condominiums. A deterioration in the level of economic activity within the County or in the State could have a material adverse impact

upon the level of tax revenues and therefore upon the ability of the County to pay the principal of and interest on the Notes when due or to issue additional securities in the future. For information relating to the current economic conditions of the County and the State, see APPENDIX A — “INFORMATION REGARDING THE COUNTY OF RIVERSIDE.”

### **VALIDATION**

On July 31, 1997, the County, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Riverside (Case No. 299847) seeking judicial validation of the transactions relating to the Resolution (as originally adopted) and certain other matters. On September 12, 1997, the court entered a default judgment to the effect that, among other things, the Resolution and the Obligations issued pursuant to the Resolution, including the Notes, represent valid and binding obligations of the County (the “Default Judgment”). The period allowed for appeal of such judgment by Sections 860 *et seq.* expired on October 14, 1997 without an appeal having been filed.

### **LITIGATION**

As of the date of this Official Statement, to the best knowledge of the County, no litigation is pending or threatened (either in state or federal courts): (A) seeking to restrain or enjoin the execution, sale or delivery of any of the Notes, (B) in any way contesting or affecting the authority for the execution, sale or delivery of the Notes or the adoption of the resolution, (C) in any way contesting the existence or powers of the County, or (D) which would have a material adverse effect on the ability of the County to make payments with respect to the Notes.

### **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County (“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 2013 Series D Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and interest on the Notes is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2013 Series D Notes 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. Interest on the 2013 Series E Notes is not excluded from gross income for federal income tax purposes under Section 103 of the Code. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the “IRS”) is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the “original issue discount”). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement

agents or wholesalers). Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Prospective purchasers of the 2013 Series D Notes should consult their own tax advisors with respect to the tax consequences of ownership of 2013 Series D Notes if the prospective purchaser elects original issue discount treatment.

2013 Series D Notes 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 2013 Series D Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of 2013 Series D Notes, like the 2013 Series D Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a 2013 Series D Noteholder's basis in a Premium 2013 Series D Note, will be reduced by the amount of amortizable bond premium properly allocable to such 2013 Series D Noteholder. 2013 Series D Noteholders of Premium 2013 Series D Notes 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 2013 Series D Notes. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2013 Series D Notes 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 2013 Series D Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2013 Series D Notes. 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 2013 Series D Notes may adversely affect the value of, or the tax status of interest on, the 2013 Series D Notes. 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 2013 Series D Notes is excluded from gross income for federal income tax purposes and interest on the Notes is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Noteholder's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Noteholder or the Noteholder'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 2013 Series D Notes 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 2013 Series D Noteholders from realizing the full current benefit of the tax status of such interest. 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 2013 Series D Notes. Prospective purchasers of the 2013 Series D Notes 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 2013 Series D Notes for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the 2013 Series D Noteholders regarding the tax-exempt status of the 2013 Series D Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the 2013 Series D Noteholders, 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 or 2013 Series D Notes is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2013 Series D Notes for audit, or the course or result of such audit, or an audit of bonds or 2013 Series D Notes presenting similar tax issues may affect the market price for, or the marketability of, the 2013 Series D Notes, and may cause the County or the 2013 Series D Noteholders to incur significant expense.

In issuing its opinions as to the validity of the Notes, Bond Counsel relied, and will rely, upon the Default Judgment.

### **Circular 230**

Under 31 C.F.R. Part 10, the regulations governing practice before the IRS (Circular 230), the County and its tax advisors are (or may be) required to inform you that:

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;
- Any such advice is written to support the promotion or marketing of the Notes and the transactions described herein (or in such opinion or other advice); and
- Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

### **RATINGS**

Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") have assigned ratings of "\_\_\_\_" and "\_\_\_\_," respectively, to the Notes. Such ratings reflect only the views of such rating organizations and any desired explanation of the significance of such ratings should be obtained from

the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Fitch, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Notes. The County undertakes no responsibility either to bring to the attention of the owners of the Notes any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

### **FINANCIAL ADVISOR**

C.M. de Crinis & Co., Inc., Glendale, California, has served as the Financial Advisor to the County in connection with the execution and delivery of the Notes. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

### **UNDERWRITING**

The Notes are being purchased by Wells Fargo Bank, National Association and De La Rosa & Co., as underwriters (collectively, the "Underwriters"), pursuant to a Purchase Contract with the County (the "Purchase Contract"). The Underwriters have agreed, subject to certain conditions, to purchase the Notes at a purchase price equal to \$ \_\_\_\_\_ (representing the par amount of the Notes, plus an original issue premium of \$ \_\_\_\_\_, and less an Underwriters' discount of \$ \_\_\_\_\_). The Purchase Contract relating to the Notes provides that the Underwriters will purchase all of the Notes if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Notes to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriters.

Wells Fargo Bank, National Association ("WFBNA"), the Representative of the Underwriters, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Notes. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Notes with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Notes. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

*References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.*

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the County for which they received or will receive customary fees and expenses. In addition, affiliates of some of the Underwriters are lenders, and in some cases agents or managers for the lenders, under our credit facility.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County.

## **FINANCIAL STATEMENTS**

The general purpose financial statements of the County, pertinent sections of which are included in APPENDIX B to this Official Statement, have been audited by Brown Armstrong Certified Public Accountants, independent certified public accountants, as stated in their report appearing in APPENDIX B. Brown Armstrong Certified Public Accountants has not consented to the inclusion of its report as APPENDIX B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Brown Armstrong Certified Public Accountants, with respect to any event subsequent to its report dated December 20, 2012. See APPENDIX B — “THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012” attached hereto.

## **CONTINUING DISCLOSURE**

The County has agreed, in a Continuing Disclosure Certificate executed by the County (the “Disclosure Certificate”) in connection with the issuance of the Notes, to report the occurrence of specified “Material Events” to the Municipal Securities Rulemaking Board through EMMA, its Electronic Municipal Market Access System. Material Events include any of the following events: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) adverse tax opinions or events affecting the tax-exempt status of the security; (4) modifications to rights of security holders; (5) certain security prepayments; (6) defeasances; and (7) rating changes.

The County's obligations under the Disclosure Certificate terminate upon (i) payment in full of all of the Notes or (ii) in the event that the County receives an opinion of nationally recognized bond counsel, to the effect that those portions of SEC Rule 15c2-12(b)(5) (the “Rule”) which require the Disclosure Certificate do not or no longer apply to the Notes.

These covenants have been made in order to assist the Underwriters in complying with the Rule. For each of the last five years the County has timely filed each of its annual reports and all notices of material events as required by its previous undertakings with respect to the Rule. However, the County has recently determined that such previous filings did not include certain budget information and comprehensive annual financial reports required by its previous undertakings. However, such budget information was available on the County's website and/or available in other continuing disclosure filings made by the County. The County has subsequently filed such budget information and comprehensive annual financial reports, and the County is currently in compliance with all of its undertakings with respect to the Rule.

### **CERTAIN LEGAL MATTERS**

The validity of the Notes and certain other legal matters are subject to the approving opinion of Orrick Herrington & Sutcliffe, LLP, San Francisco, California, Bond Counsel. The opinion of Bond Counsel will be delivered with the Notes in substantially the form set forth in APPENDIX C hereto. Bond Counsel takes no responsibility for the fairness, accuracy or completeness of this Official Statement. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the County with respect to the Notes. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, and for the County by County Counsel.

### **MISCELLANEOUS**

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion 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 affairs in the County since the date hereof. Copies of the Resolution are available upon request from the County of Riverside, County Executive Office, 4th Floor, 4080 Lemon Street, Riverside, California 92501, Attention: County Executive Officer.

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

**COUNTY OF RIVERSIDE**

By: \_\_\_\_\_  
County Executive Officer

**APPENDIX A**

**INFORMATION REGARDING THE COUNTY OF RIVERSIDE**



**APPENDIX B**

**THE COUNTY OF RIVERSIDE  
AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

## APPENDIX C

### FORM OF BOND COUNSEL OPINION

[Closing Date]

County of Riverside  
Riverside, California

County of Riverside  
Teeter Plan Obligation Notes, 2013 Series D (Tax-Exempt)  
and  
County of Riverside  
Teeter Plan Obligation Notes, 2013 Series E (Taxable)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Riverside, California (the "Issuer") in connection with the authorization of issuance of \$\_\_\_\_\_ aggregate principal amount of County of Riverside Teeter Plan Obligation Notes, 2013 Series D (Tax-Exempt) (the "2013 Series D Notes") and \$\_\_\_\_\_ aggregate principal amount of County of Riverside Teeter Plan Obligation Notes, 2013 Series E (Taxable) (the "2013 Series E Notes" and together with the 2013 Series D Notes, the "Notes") pursuant to and by authority of Resolution No. 97-203 of the Board of Supervisors of the Issuer adopted on July 29, 1997, as heretofore supplemented and as further supplemented by Resolution No. 2013-\_\_\_\_ of the Board of Supervisors of the Issuer adopted on September 10, 2013 (collectively, the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, the Tax Certificate of the Issuer, dated the date hereof (the "Tax Certificate"), an opinion of counsel to the Issuer, certificates of the Issuer, the Fiscal Agent and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained

in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2013 Series D Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, 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 counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing and the default judgment entered on September 12, 1997 by the Superior Court of the State of California for the County of Riverside in the action entitled County of Riverside v. All Persons, No. 299847, filed July 31, 1997, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer.
2. The Notes constitute the valid and binding obligations of the Issuer.
3. Interest on the 2013 Series D Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and interest on the Notes is exempt from State of California personal income taxes. The amount treated as interest on the 2013 Series D Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. Interest on the 2013 Series D Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We observe that interest on the 2013 Series E Notes is not excluded from gross income for federal income tax purposes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Riverside, California (the "County") in connection with the issuance by the County of its \$\_\_\_\_\_ 2013 Series D Teeter Obligation Notes (Tax Exempt) (the "2013 Series D Notes") and its \$\_\_\_\_\_ 2013 Series E Teeter Obligation Notes (Taxable) (the "2013 Series E Notes," and, together with the 2013 Series D Notes, the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on July 29, 1997 and ratified, confirmed and modified on November 4, 1997, as amended and supplemented on August 18, 1998, on September 7, 1999, on September 26, 2000, on September 11, 2001, on October 8, 2002, on October 21, 2003, on October 26, 2004, on December 6, 2005, on October 17, 2006, on October 30, 2007, on November 18, 2008, on November 24, 2009, on September 14, 2010, on September 27, 2011, on September 11, 2012 and on September 10, 2013 (collectively, the "Resolution"). The County covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders of the Notes and 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 Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"Holders" shall mean, while the Notes are registered in the name of The Depository Trust Company, any applicable participant in its depository system, or the owner of any Note for Federal income tax purposes.

"Listed Events" shall mean any of the events listed in Section 3(a) or 3(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Participating Underwriter" shall mean each of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Repository" shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless 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>.

"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.

### SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the County shall give, or cause the Dissemination Agent to give, written notice to the Repository of the occurrence of any of the following events with respect to the Notes in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

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

(b) Pursuant to the provisions of this Section 3, the County shall give, or cause to be given, written notice to the Repository of the occurrence of any of the following events with respect to the Notes, if material:

1. unless described in paragraph 3(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Notes or other material events affecting the tax status of the Notes;
2. 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;

3. appointment of a successor or additional trustee or the change of the name of a trustee;

4. nonpayment related defaults;

5. modifications to the rights of Owners of the Notes;

6. notices of redemption; and

7. release, substitution or sale of property securing repayment of the Notes.

(c) Whenever the County obtains knowledge of the occurrence of a Listed Event under Section 3(b) above, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the County determines that knowledge of the occurrence of a Listed Event under Section 3(b) would be material under applicable federal securities laws, the County shall file a notice of such occurrence with the Repository in a timely manner not more than 10 business days after the event.

(e) Additionally, the County shall provide quarterly cash flow and financial status updates for December 31, 2013, March 31, 2014 and June 30, 2014 on or before January 30, 2014, April 30, 2014 and July 31, 2014, respectively.

**SECTION 4 Termination of Reporting Obligation.** The County's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the County shall give notice of such termination in the same manner as for a Listed Event under Section 3(d).

**SECTION 5. Dissemination Agent.** The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

**SECTION 6. Amendment: Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3 it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, 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 Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders of the Notes.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate any Holder 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 Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, 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 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 Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: October \_\_, 2013

COUNTY OF RIVERSIDE

By: \_\_\_\_\_  
Its: \_\_\_\_\_

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**APPENDIX A**  
**INFORMATION REGARDING THE COUNTY OF RIVERSIDE**

**GENERAL INFORMATION**

Set forth below is certain information with respect to the County. Such information was prepared by the County except as otherwise indicated.

**DEMOGRAPHIC AND ECONOMIC INFORMATION**

**Population**

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,255,059 as of January 1, 2013, representing an approximately 0.9% increase over the County's population as estimated for the prior year. During this year, population increase in the cities of Lake Elsinore (4.2%) and Indio (4.0%) in the County ranked among the five fastest growing cities in the State based on percentage of change. For the ten year period of January 1, 2003 to January 1, 2013, the County's population grew by 30.33%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, with a total population of 269,963 as of January 1, 2013. Currently, the growth in the County has tempered due to the economy and in recent years that County's population has grown at a rate close to the statewide average.

The following table sets forth annual population figures, as of January 1 of each year, for cities located within the County for each of the years listed:

**COUNTY OF RIVERSIDE**  
**POPULATION OF CITIES WITHIN THE COUNTY**  
**(As of January 1)**

<i><b>CITY</b></i>	<i><b>2009</b></i>	<i><b>2010</b></i>	<i><b>2011</b></i>	<i><b>2012</b></i>	<i><b>2013</b></i>
Banning	28,551	29,507	29,723	30,051	30,170
Beaumont	32,448	36,496	38,966	38,851	39,776
Blythe	21,346	20,873	20,063	20,440	19,606
Calimesa	7,504	7,853	7,910	8,022	8,094
Canyon Lake	11,143	10,528	10,606	10,721	10,768
Cathedral City	52,508	51,037	51,400	52,108	52,337
Coachella	41,043	40,464	41,339	42,030	42,784
Corona	148,770	151,854	153,047	154,985	156,823
Desert Hot Springs	26,584	25,852	27,277	27,721	27,828
Eastvale	-	-	54,090	55,770	57,251
Hemet	74,931	78,335	79,309	80,329	80,877
Indian Wells	5,099	4,941	4,990	5,050	5,081
Indio	82,325	75,122	76,817	78,298	81,393
Jurupa Valley	-	-	-	96,745	97,246
Lake Elsinore	50,324	51,445	52,294	53,183	55,430
La Quinta	43,830	37,307	37,688	38,190	38,401
Menifee	67,819	77,267	79,139	80,831	82,292
Moreno Valley	186,515	192,654	194,451	197,086	198,129
Murrieta	100,835	103,085	104,051	105,300	105,832
Norco	27,189	27,066	26,968	27,123	26,626
Palm Desert	51,570	48,132	48,920	49,619	49,949
Palm Springs	47,653	44,385	44,829	45,414	45,712
Perris	54,387	67,879	69,506	70,391	70,963
Rancho Mirage	16,938	17,168	17,399	17,556	17,639
Riverside	300,769	302,814	306,069	309,407	311,955
San Jacinto	36,521	44,043	44,421	44,937	45,217
Temecula	102,713	99,611	101,255	103,403	104,879
Wildomar	<u>31,374</u>	<u>32,006</u>	<u>32,414</u>	<u>32,818</u>	<u>33,174</u>
<b>TOTALS</b>					
Incorporated	1,650,689	1,677,724	1,754,009	1,876,494	1,896,232
Unincorporated	<u>459,193</u>	<u>501,968</u>	<u>451,722</u>	<u>357,699</u>	<u>358,827</u>
County-Wide	<u><u>2,109,882</u></u>	<u><u>2,179,692</u></u>	<u><u>2,205,731</u></u>	<u><u>2,234,193</u></u>	<u><u>2,255,059</u></u>
California	38,255,508	37,223,900	37,510,766	37,668,804	37,966,471

Source: State Department of Finance, Demographic Research Unit.

## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other than labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, nontax payments fines, fees, penalties, etc.) and personal contributions to social security insurance and federal retirement payroll deductions. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the County and the State for the period 2008 through 2012.

### RIVERSIDE COUNTY AND CALIFORNIA TOTAL EFFECTIVE BUYING INCOME, MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME AND PERCENT OF HOUSEHOLDS WITH INCOMES OVER \$50,000<sup>(1)</sup>

	<i>Total Effective Buying Income<sup>(2)</sup></i>	<i>Median Household Effective Buying Income</i>	<i>Percent of Households with Income over \$50,000</i>
<b>2008</b>			
Riverside County	\$ 40,935,407	\$46,958	46.2%
California	832,531,445	48,952	48.8
<b>2009</b>			
Riverside County	\$ 40,935,686	\$46,852	46.2%
California	832,528,809	48,915	48.7
<b>2010</b>			
Riverside County	\$ 41,337,856	\$47,080	46.6%
California	844,822,042	49,736	49.7
<b>2011</b>			
Riverside County	\$ 38,492,225	\$44,253	43.07%
California	801,393,028	47,117	46.78
<b>2012</b>			
Riverside County	\$ 39,981,683	\$44,116	42.91%
California	814,578,458	47,062	46.65

<sup>(1)</sup> Estimated.

<sup>(2)</sup> Dollars in thousands.

Source: Survey of Buying Power, Sales & Marketing Management Magazine, 2008, and Nielson Solution Center for 2009 through 2012.

## Industry And Employment

The County is a part of the Riverside-San Bernardino Primary Metropolitan Statistical Area ("PMSA"), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment, as reflected in the following table.

### RIVERSIDE-SAN BERNARDINO-ONTARIO PMSA ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY<sup>(1)</sup> (IN THOUSANDS)

<i>Industry</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Agriculture	15.9	14.9	15.0	14.9	15.1
Construction	90.7	67.9	59.7	59.0	41.2
Finance Activities	46.1	42.5	41.0	39.9	40.8
Government	231.0	235.2	234.3	227.5	224.5
Manufacturing:	106.9	88.8	85.1	85.1	86.5
Nondurables	34.3	30.6	29.8	29.3	29.8
Durables	72.5	58.1	55.3	55.8	56.8
Natural Resources and Mining	1.2	1.1	1.0	1.0	1.2
Retail Trade	168.6	156.2	155.5	158.5	161.7
Professional, Educational and other Services	441.8	419.8	418.2	428.1	442.2
Transportation, Warehousing and Utilities	70.2	66.8	66.6	68.7	70.8
Wholesale Trade	54.1	48.9	48.6	49.0	51.3
Information, Publishing and Telecommunications	14.8	14.1	14.0	12.1	11.6
Total, All Industries	<u>1,241.2</u>	<u>1,156.4</u>	<u>1,139.0</u>	<u>1,143.7</u>	<u>1,166.7</u>

<sup>(1)</sup> The employment figures by industry which are shown above are not directly comparable to the "Total, All Industries" employment figures due to rounded data.

Source: State Employment Development Department, Labor Market Information Division, as of March 29, 2013.

The following table sets forth the major employers located in the County as of 2012:

### COUNTY OF RIVERSIDE CERTAIN MAJOR EMPLOYERS<sup>(1)</sup> (2012)

<i>Company Name</i>	<i>Product/Service</i>	<i>No. of Local Employees<sup>(2)</sup></i>
County of Riverside	Government	17,766
March Air Reserve Base	Military Reserve Base	9,000
Stater Brothers Market	Supermarket	6,900
Walmart	Retail Store	5,681
University of California, Riverside	University	5,497
Riverside Unified School District	School District	5,000
Corona-Norco Unified School District	School District	4,633
Kaiser Permanente Riverside Medical Center	Hospital	4,500
Moreno Valley Unified School District	School District	3,500
Hemet Unified School District	School District	3,270

<sup>(1)</sup> Certain major employers in the County may have been excluded because of the data collection methodology used by Riverside County Economic Development Agency.

<sup>(2)</sup> Includes employees within the County; excludes, under certain circumstances, temporary, seasonal and per diem employees.  
Source: Riverside County Economic Development Agency.

Unemployment statistics for the County, the State and the United States are set forth in the following table.

**COUNTY OF RIVERSIDE  
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA**

	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>July 2013</i>
County <sup>(1)</sup>	8.5%	13.6%	14.7%	13.6%	11.1%	11.1%
California <sup>(1)</sup>	7.2	11.4	12.4	11.7	9.7	9.3
United States <sup>(2)</sup>	5.8	9.3	9.6	8.9	8.1	7.4

<sup>(1)</sup> Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.

<sup>(2)</sup> Data is seasonally adjusted.

Source: State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics.

**Commercial Activity**

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the Promenade at Temecula. There are also two factory outlet malls (Desert Hills Factory Stores and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The following table sets forth taxable transactions in the County for the years 2007 through 2011, the most recent full year for which data is currently available, and for the first quarter of 2012.

**COUNTY OF RIVERSIDE  
TAXABLE SALES TRANSACTIONS  
(IN THOUSANDS)**

	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>First Quarter 2012</i>
Apparel Stores	\$ 1,171,013	\$ 1,121,543	\$ 1,293,271	\$ 1,391,174	\$ 1,505,821	\$ 382,457
General Merchandise Stores	3,272,665	3,081,989	2,855,733	2,947,905	3,051,709	727,750
Health and Personal Care Stores	320,469	307,947	288,768	292,463	454,268	122,452
Food Stores	1,352,609	1,254,366	1,144,235	1,152,507	1,179,649	294,766
Packaged Liquor Stores	84,397	98,338	106,981	115,251	125,082	30,764
Food Services and Drinking Places	2,388,039	2,340,554	2,266,853	2,317,486	2,473,339	702,569
Home Furnishing, Electronics and Appliances	843,945	816,379	858,098	883,109	914,888	234,671
Building Materials & Garden Equipment	1,961,911	1,435,337	1,128,595	1,232,145	1,303,073	331,513
Auto Dealers & Supplies	4,301,385	3,115,036	2,449,747	2,620,568	3,010,487	852,571
Gasoline Stations	2,835,690	3,011,476	2,300,247	2,685,840	3,300,785	873,954
Other Retail Stores	<u>2,710,393</u>	<u>2,106,283</u>	<u>1,364,956</u>	<u>1,281,052</u>	<u>1,257,185</u>	<u>330,186</u>
Retail Stores Total	\$ 21,242,516	\$ 18,689,249	\$ 16,057,488	\$ 16,919,500	\$ 18,576,285	\$ 4,883,652
All Other Outlets	<u>7,781,093</u>	<u>7,314,346</u>	<u>6,170,390</u>	<u>6,233,280</u>	<u>7,065,212</u>	<u>1,699,530</u>
Total All Outlets	<u>\$ 29,023,609</u>	<u>\$ 26,003,595</u>	<u>\$ 22,227,878</u>	<u>\$ 23,152,780</u>	<u>\$ 25,641,497</u>	<u>\$ 6,583,182</u>

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

## Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2008.

### COUNTY OF RIVERSIDE BUILDING PERMIT VALUATIONS (IN THOUSANDS)

	2008	2009	2010	2011	2012
<b>RESIDENTIAL</b>					
New Single-Family	\$ 1,214,752	\$ 891,825	\$ 914,058	\$ 651,747	\$ 854,814
New Multi-Family	243,741	76,717	71,152	115,064	99,578
Alterations and Adjustments	<u>118,490</u>	<u>85,148</u>	<u>94,429</u>	<u>119,684</u>	<u>84,517</u>
Total Residential	\$ 1,576,983	\$ 1,053,690	\$ 1,079,639	\$ 886,495	\$ 1,038,963
<b>NON-RESIDENTIAL</b>					
New Commercial	\$ 539,944	\$ 94,653	\$ 191,324	\$ 152,160	\$ 346,865
New Industry	70,411	12,278	6,686	10,000	3,767
New Other <sup>(1)</sup>	138,766	107,334	98,105	99,898	78,602
Alterations & Adjustments	<u>292,694</u>	<u>162,557</u>	<u>243,265</u>	<u>297,357</u>	<u>154,325</u>
Total Nonresidential	\$ 1,041,815	\$ 376,822	\$ 539,380	\$ 559,415	\$ 583,559
<b>TOTAL ALL BUILDING</b>	<u>\$ 2,618,798</u>	<u>\$ 1,430,512</u>	<u>\$ 1,619,019</u>	<u>\$ 1,445,910</u>	<u>\$ 1,602,522</u>

<sup>(1)</sup> Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and other non-residential buildings and structures.

Source: Construction Industry Research Board for 2008 through 2011, California Homebuilding Foundation for 2012.

### COUNTY OF RIVERSIDE NUMBER OF NEW DWELLING UNITS

	2008	2009	2010	2011	2012
Single Family	3,815	3,424	4,031	2,676	3,455
Multi-Family	<u>2,104</u>	<u>784</u>	<u>526</u>	<u>1,073</u>	<u>829</u>
TOTAL	<u>5,919</u>	<u>4,208</u>	<u>4,557</u>	<u>3,749</u>	<u>4,284</u>

Source: Construction Industry Research Board for 2008 through 2011, California Homebuilding Foundation for 2012.

The following table sets forth a comparison of annual median housing prices for Los Angeles County, Riverside County, San Bernardino County and Southern California for the years indicated.

**COUNTY OF RIVERSIDE  
COMPARISON OF MEDIAN HOUSING PRICES**

<i>Year</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Bernardino</i>	<i>Southern California<sup>(1)</sup></i>
2007	\$535,000	\$395,000	\$355,000	\$487,000
2008	400,000	260,000	225,000	340,000
2009	320,000	190,000	150,000	270,000
2010	335,000	200,000	155,000	290,000
2011	315,000	195,000	150,000	280,000
2012	330,000	210,000	164,750	300,000
2013 <sup>(2)</sup>	395,000	250,000	195,000	358,000

<sup>(1)</sup> Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.

<sup>(2)</sup> Information is as of July 31, 2013.

Source: MDA DataQuick Information Systems.

The following table sets forth a comparison of home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years indicated.

**COUNTY OF RIVERSIDE  
COMPARISON OF HOME FORECLOSURES**

<i>Year</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Bernardino</i>	<i>Southern California<sup>(1)</sup></i>
2007	12,466	12,497	7,746	46,086
2008	35,366	32,443	23,601	125,117
2009	29,943	25,309	19,757	100,106
2010	26,827	20,598	16,757	86,853
2011	25,454	17,381	14,181	77,003
2012	15,282	10,655	9,257	47,323
2013 <sup>(2)</sup>	4,375	2,758	2,593	12,980

<sup>(1)</sup> Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.

<sup>(2)</sup> Information is through July 31, 2013.

Source: MDA DataQuick Information Systems.

**Agriculture**

Agriculture remains an important source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, bell peppers, dates, lemons and avocados.

Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border.

The value of agricultural production in the County for 2008 through 2012 is presented in the following table.

**COUNTY OF RIVERSIDE  
VALUE OF AGRICULTURAL PRODUCTION**

	2008	2009	2010	2011	2012
Citrus Fruits	\$ 135,759,800	\$ 101,652,000	\$ 140,500,922	\$ 119,942,513	\$ 125,684,390
Trees and Vines	173,678,000	191,682,600	164,993,960	232,649,262	217,073,170
Vegetables, Melons, Miscellaneous	266,414,900	221,286,700	292,002,337	278,628,295	286,172,478
Field and Seed Crops	123,545,400	69,699,800	81,328,229	149,198,052	147,185,665
Nursery	230,416,200	206,499,900	169,341,300	200,154,964	190,878,100
Apiculture	5,637,000	5,017,600	4,631,700	4,844,400	4,983,400
Aquaculture Products	12,077,700	5,243,900	4,921,700	4,808,250	4,204,750
Total Crop Valuation	\$ 947,529,000	\$ 801,082,500	\$ 857,720,148	\$ 990,225,736	\$ 976,181,953
Livestock and Poultry Valuation	321,060,900	214,672,800	235,926,225	292,030,380	276,548,118
Grand Total	<u>\$ 1,268,589,900</u>	<u>\$ 1,015,755,300</u>	<u>\$ 1,093,646,347</u>	<u>\$ 1,282,256,116</u>	<u>\$ 1,252,730,071</u>

Source: Riverside County Agricultural Commissioner.

### Transportation

Several major freeways and highways provide access between the County and all parts of Southern California. State Route 91 extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses most of the width of the County, the western-most portion of which links up with major cities and freeways in Los Angeles County and the southern part of San Bernardino County, with the eastern part linking to the County's desert cities and Arizona. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. State Route 60 provides an alternate (to Interstate 10) east-west link to Los Angeles County.

Currently, Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from several stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and Indio. Freight service to major west coast and national markets is provided by two transcontinental railroads -- Union Pacific Railroad and the Burlington Northern and Santa Fe Railway Company. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. There are also four municipal transit operators in the western County providing services within the cities of Banning, Beaumont, Corona and Riverside. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, service the area from Desert Hot Springs to Oasis and from Palm Springs to Riverside. The Palo Verde Valley Transit Agency provides service in the far eastern portion of the County (City of Blythe and surrounding communities).

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by Los Angeles World Airports, a proprietary department of the City of Los Angeles. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.



## **Education**

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Ninety-five percent of all K-12 students attend schools in the unified school districts. The three largest unified school districts are Corona-Norco Unified School District, Riverside Unified School District and Moreno Valley Unified School District.

There are seven two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also three universities located in the City of Riverside -- the University of California, Riverside, La Sierra University and California Baptist University.

## **Environmental Control Services**

**Water Supply.** The County obtains a large part of its water supply from groundwater sources, with certain areas of the County, such as the City of Riverside, relying almost entirely on groundwater. As in most areas of Southern California, this groundwater source is not sufficient to meet countywide demand and the County's water supply is supplemented by imported water. At the present time, imported water is provided by Metropolitan Water District from the Colorado River via the Colorado River Aqueduct and the State Water Project via the Edmund G. Brown California Aqueduct. In the Southwest area of the County, 80% of the water supply is imported.

At the regional and local level, there are several water districts that were formed for the primary purpose of supplying supplemental water to the cities and agencies within their areas. The Coachella Valley Water District, the Western Municipal Water District and the Eastern Municipal Water District are the largest of these water districts in terms of area served. The San Geronio Pass Water Agency, Desert Water Agency, Palo Verde Irrigation District and Rancho California Water District also provide supplemental water to cities and agencies within the County.

The uncertainty associated with long-term water supply is a major concern of local and regional water agencies in California, especially southern California. The governor and the state legislature are currently engaged in discussions with respect to a comprehensive state-wide plan with respect to water supply, storage and conveyance, but no assurance can be made that a sustainable solution will be achieved.

Due to the water supply concerns in the County, the Board of Supervisors adopted Ordinance 859.2 - Water Efficient Landscaping Ordinance, which conforms to AB 1881. AB 1881 requires that measures be taken to assure the maintenance and protection of natural resources (water) by requiring that the resources be conserved through the implementation of water efficient landscape practices. As an added measure, the Board of Supervisors amended Policy H-25 requiring the retrofit of public buildings to conform to the requirements of Ordinance 859.2.

**Flood Control.** Primary responsibility for planning and construction of flood control and drainage systems within the County is provided by the Riverside County Flood Control and Water Conservation District and the Coachella Valley Water District, Storm Water Unit.

**Sewage.** There are 18 wastewater treatment agencies in the County's Santa Ana River region and nine in the County's Colorado River Basin region. Most residents in rural areas of the County which are unsewered rely upon septic tanks and leach fields for sewage disposal.

## **FINANCIAL INFORMATION**

### **Budgetary Process and Budget**

The County operates on an annual budget cycle. Under the Government Code, the County must approve a recommended budget by June 30 of each year as the legal authorization to spend until the approval of the adopted budget. A final budget that reflects any revisions to the recommended budget must be adopted by the Board of Supervisors no later than October 2. The recommended and adopted budgets must be balanced.

Subsequent to the approval of the adopted budget, the County may make adjustments to reflect revenue, as realized, and to record changes in expenditure requirements. For example, in recent years, the County, like many other counties, has adopted a budget in advance of the adoption of the State budget and has been required to make adjustments in certain circumstances upon the passage of the State budget. The County conducts quarterly reviews, with major adjustments generally addressed at the end of the first, second and third quarters.

### **Fiscal Year 2012-13 Budget**

In June 2012, the Board of Supervisors approved the Fiscal Year 2012-13 Recommended Budget. The Recommended Budget included total general fund appropriations of approximately \$2.4 billion. For Fiscal Year 2012-13, the County projected that approximately 42.1% of its General Fund budget revenues could consist of payments from the State and 20.7% will consist of payments from the Federal government. Discretionary revenue was budgeted to decline to approximately \$572 million for fiscal year 2012-13, a reduction of approximately 2% from the fiscal year 2011-12 adjusted budget estimates. The adopted budget includes a reduction in discretionary spending of approximately \$39 million from the prior fiscal year. Property tax revenue was budgeted at approximately \$266 million for Fiscal Year 2012-13, and represented approximately 46% of the County's discretionary revenue. The County estimated a decrease in assessed valuation in Fiscal Year 2012-13 of approximately 0.5% from Fiscal Year 2011-12.

During the Fiscal Year 2012-13 third quarter budget meeting, the County made a presentation reporting that, factoring out unique, one-time revenue receipts, general fund discretionary revenue was expected to fall short of the adopted budget. Shortfalls in property taxes and revenue related to fines and penalties were offset by increased sales and use tax revenue, one time revenue from property sales and unclaimed property tax overpayments, for a net positive variance from the adopted budget of \$17.3 million. In addition, the County expects escalating costs in Fiscal Year 2013-14, including increased negotiated labor costs, increased pension contributions, and additional costs of operation of the public safety enterprise communication system. The County's departments were instructed to prepare their budget submittals based on cautious revenue assumptions and absorbing increased labor and pension cost increases.

### **Fiscal Year 2013-14 Proposed Budget**

The County has completed its budget process for Fiscal Year 2013-14 and held its budget impact hearings. At the budget impact hearings, all general fund departments were asked to present balanced budgets. The sheriff and fire departments presented budgets that needed additional resources and all other departments presented balanced budgets. These balanced budgets absorbed all additional costs that include salaries and benefit increases. Property tax revenue increased approximately 3.95% in Fiscal Year 2013-14, and growth is also expected in sales tax receipts. Using these additional revenues and the set aside in the budget stabilization fund created in Fiscal Year 2012-13, the County expects to present a balanced general fund budget for Fiscal Year 2013-14 without using its reserves. Outside of the general fund, the Riverside County Regional Medical Center (the "Medical Center"), operated as an enterprise fund, is projecting an operating deficit of approximately \$52 million in Fiscal Year 2013-14. It is the County's intent that the Medical Center's costs of providing services be recovered primarily through fees charged for services with minimal or no general fund

support, and the County does not intend to provide general fund support to fund the Medical Center's projected fiscal year 2013-14 operating deficit. See "—Medical Center" below.

As part of its commitment to Public Safety, on March 26, 2013 the Board adopted "Doctrine 1.2 – a Roadmap for Public Safety." This doctrine outlines a direction to the sheriff department to increase the deputy to population ratio from 0.75/1000 to 1.2/1000 in the unincorporated area of the County. The sheriff department has already initiated this process and expects to reach this goal within the next five years. This initiative is expected to add additional costs to the Sheriff's budget, and as part of the budget impact hearings, the sheriff department requested additional resources. The County expects to provide sufficient resources as the sheriff department adds additional deputies in accordance with the doctrine. In addition to this initiative, the County is in the process of building the East County Detention Center in Indio to give it further capacity to jail inmates. This jail is expected to be built with a grant from the State and issuance of bonds by the County. To prepare for the operations and maintenance of this facility, expected to be completed in 2017, the County has adopted a policy of setting aside the expected increases in Proposition 172 revenue. The County expects Proposition 172 revenue increases to total \$30-\$40 million over the next three years. In addition, the fire department has requested additional resources to purchase equipment and offset costs related to coverage of newly incorporated cities which are still served by the County's fire department. The County intends to provide funding to meet these needs.

In June 2013, the Board of Supervisors approved the Fiscal Year 2013-14 Recommended Budget. The Recommended Budget includes total general fund appropriations of approximately \$2.7 billion. For Fiscal Year 2013-14, the County projects that approximately 42.5% of its general fund budget revenues will consist of payments from the State and 21.1% will consist of payments from the Federal government. Discretionary revenue was budgeted to increase to approximately \$586.6 million for Fiscal Year 2013-14, an increase of approximately 3.0% from the Fiscal Year 2012-13 adjusted budget estimates. The adopted budget included an increase in discretionary spending of approximately \$16.7 million from the prior fiscal year. Property tax revenue was budgeted at approximately \$266.2 million for Fiscal Year 2013 14, and represents approximately 45.4% of the County's discretionary revenue.

### **Impacts of State Budget**

Changes in payments to the County from the State, whether temporary or permanent, may require adjustments to the County's 2012-13 and 2013-14 budgets. Deferrals in State payments may jeopardize the County's ability to maintain core discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services.

The County is continuously monitoring developments at the State and local level, and may be required to make adjustments to its budget from time to time. See "STATE OF CALIFORNIA BUDGET INFORMATION" herein.

### **Realignment of Certain Services to Local Governments**

As part of the State's 2011 Budget Act, the California Legislature enacted a major shift, or "realignment," of certain State program responsibilities and related revenues to local governments ("Realignment"). Beginning in Fiscal Year 2011-12, the realignment provides funds to local governments (primarily counties) to fund various criminal justice, mental health, and social services programs. Realignment funding is derived from three sources: 1) the dedication of 1.0625 cents of the existing sales tax rate; 2) the redirection of the revenue generated by Proposition 63 (the "millionaire tax" which supports mental health programs statewide); and 3) the redirection of a portion of vehicle license fee revenues.

Realignment is comprised of two distinct components: Health and Human Services and Public Safety. With respect to the former, the State has replaced the funding previously provided to counties as State

reimbursement or direct payment with local appropriations equivalent to prior year funding levels. To date, the only significant programmatic change has resulted from the Health and Human Services component of Realignment related to the transfer of responsibility for funding education-related mental health services from counties to local school districts.

With respect to Public Safety, however, county governments have taken on a host of new responsibilities related to released inmates, newly convicted offenders, and parole violators. In Fiscal Year 2012-13, the County has received a \$43 million appropriation from the State to address the needs of the realigned criminal justice population. In the current fiscal year, the County anticipates that this funding will be sufficient to support its achievement of the complementary goals of increasing public safety and reducing recidivism. In Fiscal Year 2013-14, the County anticipates an appropriation of \$58 million from the State for realignment, which is anticipated to be sufficient to pay for the County's realignment-related operations. In addition, the County is expecting to receive a grant of \$25 million in Fiscal Year 2013-14 from the State for an expansion of the Van Horn Youth Center in the City of Riverside, and a grant of \$100 million in Fiscal Year 2014-15 for the construction of a new jail facility in the City of Indio.

## Final Budget Comparison

The following table compares the general fund budgets for each of the last five fiscal years as initially adopted by the Board of Supervisors. During the course of each fiscal year, a budget may be amended to reflect adjustments to receipts and expenditures that have been approved by the Board of Supervisors.

### COUNTY OF RIVERSIDE ADOPTED GENERAL FUND BUDGETS<sup>(1)</sup> FISCAL YEARS 2008-09, 2009-10, 2010-11, 2011-12, 2012-13 AND 2013-14 (IN MILLIONS)

	<i>2008-09 Budget</i>	<i>2009-10 Budget</i>	<i>2010-11 Budget</i>	<i>2011-12 Budget</i>	<i>2012-13 Budget</i>	<i>2013-14 Budget<sup>(4)</sup></i>
<b>REQUIREMENTS</b>						
General Government	\$ 238.6	\$ 239.2	\$ 175.3	\$ 174.4	\$ 180.4	\$ 179.5
Public Protection	1,132.0	1,055.2	1,062.4	1,060.0	1,072.1	1,132.4
Public Ways and Facilities	2.1	2.2	0.0	0.0	0.0	0.0
Health and Sanitation	392.3	395.2	396.0	411.9	430.1	485.9
Public Assistance	791.1	815.5	780.0	802.9	762.3	835.7
Education	0.6	0.4	0.6	0.6	0.6	0.6
Recreation and Cultural	0.3	0.3	0.3	0.4	0.0	0.4
Debt Retirement-Capital Leases	22.3	6.8	6.8	5.0	5.0	4.9
Contingencies	34.8	30.0	20.0	20.0	7.0	20.0
Increase to Reserves	5.0	(12.8)	17.5	2.4	2.3	2.3
Total Requirements <sup>(3)</sup>	<u>\$ 2,619.1</u>	<u>\$ 2,532.0</u>	<u>\$ 2,458.9</u>	<u>\$ 2,477.7</u>	<u>\$ 2,459.8</u>	<u>\$ 2,661.7</u>
<b>AVAILABLE FUNDS</b>						
Use of Fund Balance and Reserves	\$ 107.1	\$ 112.8	\$ 107.8	\$ 90.1	\$ 74.0	\$ 78.3
Estimated Revenues:						
Property Taxes	287.2	244.9	222.4	214.9	211.5	229.9
Other Taxes	49.1	46.1	46.0	35.5	35.0	31.0
Licenses, Permits and Franchises	24.9	20.7	19.8	18.1	17.7	17.6
Fines, Forfeitures and Penalties	60.6	55.7	58.0	56.2	51.7	49.3
Use of Money and Properties	29.7	13.5	11.2	10.0	7.4	6.3
Aid from Other Governmental						
Agencies:						
State	991.8	962.0	921.7	936.3	1,005.5	1,097.4
Federal	465.4	511.1	501.2	506.7	493.9	544.9
Charges for Current Services <sup>(2)</sup>	385.1	452.7	461.0	462.8	442.6	469.1
Other Revenues <sup>(2)</sup>	217.9	112.5	111.9	147.7	120.5	137.9
Total Available Funds <sup>(3)</sup>	<u>\$ 2,619.1</u>	<u>\$ 2,532.0</u>	<u>\$ 2,458.9</u>	<u>\$ 2,477.7</u>	<u>\$ 2,459.8</u>	<u>\$ 2,661.7</u>

<sup>(1)</sup> Prior to fiscal year 2010-11, State Controller identified an "Adopted" budget as a "Final" budget. Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.

<sup>(2)</sup> Due to reporting changes, certain accounts were reclassified from Other Revenues to Charges for Current Services after fiscal year 2008-09.

<sup>(3)</sup> Column numbers may not add up to totals due to rounding.

<sup>(4)</sup> Based on the fiscal year 2013-14 Recommended Budget. The County expects to adopt the final fiscal year 2013-14 budget in September 2013.

Source: County Auditor-Controller

## Riverside County Treasurer's Pooled Investment Fund

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of July 31, 2013, the portfolio assets comprising the PIF had a market value of \$5,056,902,977.23.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2012, the Auditor-Controller performed an analysis on

the County Treasury which resulted in the identification and classification of “mandatory” vs. “discretionary” depositors. Collectively, these mandatory deposits constituted approximately 67.82% of the funds on deposit in the County Treasury, while approximately 32.18% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions, with the prior consent of the Board and the County Treasurer, to participate in the County’s PIF, none have been authorized entry, nor are any pending consideration. The desire of the County is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer’s 2011 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The allocation of the investments in the Pooled Investment Fund as of July 31, 2013, was as follows:

	<i>% of Pool</i>
U.S. Treasury Securities	11.15%
Federal Agency Securities	64.10
Cash Equivalents & Money Market Funds	13.20
Commercial Paper	7.80
Medium Term Notes	0.00
Municipal Notes	0.78
Certificates of Deposit	2.96
Repurchase Agreements	0.00
Local Agency Obligations (1)	<u>0.01</u>
Total	100.00%
Book Yield:	0.37%
Weighted Average Maturity:	1.32 years

(1) Represents County obligations issued by the Riverside District Court Financing Corporation.  
Source: County Treasurer-Tax Collector.

As of May 31, 2013, the market value of the PIF was 0.99% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board established an “Investment Oversight Committee” in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County’s investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known

to the Board. Recent amendments to Section 27131 no longer require such committees. However the County has chosen to maintain the Committee.

The County has obtained a rating on the PIF of "Aaa/MR1" from Moody's Investors Service and "AAA/V1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

### **Ad Valorem Property Taxes**

**General.** Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate assessment rolls. The "secured roll" is that assessment roll containing locally assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in situs assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county wide or less than city wide special and school districts. In addition, the County levies and collects additional voter approved debt service and fixed charge assessments on behalf of any taxing agency and special districts within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A ten dollar cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the twenty-eight dollar administrative cost, a fifteen dollar per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one half percent per month starting July 1 and continuing until date of redemption (collectively, the "Redemption Amount"). If taxes remain unpaid after five years on the default roll, the property becomes subject to a tax sale by the County Treasurer – Tax Collector.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent 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 on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

The following tables describe the secured property tax roll and the unsecured property tax roll of the County for fiscal year 2001-02 through fiscal year 2012-13.

**COUNTY OF RIVERSIDE**  
**AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS**  
**FISCAL YEARS 2000-01 THROUGH 2012-13**  
**SECURED PROPERTY TAX ROLL<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>Secured Property Tax Levy</i>	<i>Current Levy Delinquent June 30</i>	<i>Percentage of Current Taxes Delinquent June 30<sup>(2)</sup></i>	<i>Total Collections<sup>(3)</sup></i>	<i>Percentage of Total Collections to Current Levy</i>
2001-02	\$1,209,745,112	\$ 42,292,916	3.50%	\$1,235,188,224	102.10%
2002-03	1,348,190,139	44,478,022	3.30	1,388,639,880	103.00
2003-04	1,506,949,011	42,164,689	2.80	1,571,572,091	104.29
2004-05	1,747,034,222	55,557,116	3.18	1,797,065,686	102.86
2005-06	2,094,068,686	88,930,195	4.25	2,116,369,838	101.06
2006-07	2,559,448,076	180,175,146	7.04	2,532,293,674	98.94
2007-08	2,964,341,768	255,672,935	8.62	2,928,205,634	98.78
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	70,921,563	2.65	2,809,408,918	104.96
2012-13	2,677,034,057	58,215,544	2.17	2,800,820,511	104.62

<sup>(1)</sup> The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

<sup>(2)</sup> Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund.

<sup>(3)</sup> Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

Source: County Auditor-Controller.

**UNSECURED PROPERTY TAX ROLL<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>Unsecured Property Tax Levy</i>	<i>Total Collections<sup>(2)</sup></i>	<i>Percentage of Total Collections to Original Levy<sup>(2)</sup></i>
2001-02	\$47,725,432	\$45,099,982	94.50%
2002-03	51,805,548	48,211,472	93.06
2003-04	56,479,231	54,911,981	97.23
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.88
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.33
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	88,409,527	100.33
2010-11	86,326,418	82,483,361	95.55
2011-12	83,904,478	84,157,603	100.30
2012-13	83,848,832	78,686,704	86.59
2013-14 <sup>(3)</sup>	83,522,992	N/A	N/A

<sup>(1)</sup> The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

<sup>(2)</sup> Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

<sup>(3)</sup> From Fiscal Year 2013-14 unsecured extension.

Source: County Auditor-Controller.



State legislation enacted in 1984 established the "supplemental roll," which directs the County Assessor to re-assess real property, at market value, on the date the property changes ownership or upon completion of new construction. Property on the supplemental roll is 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 new construction and the date of the next regular tax roll upon which the assessment is entered.

Supplemental roll billings are made on a monthly basis and are due on the date mailed. If mailed within 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. These assessments are subject to the same penalties and default procedures as the secured and unsecured rolls.

The following table describes the supplemental tax roll of the County for fiscal year 2002-03 through fiscal year 2012-13.

**COUNTY OF RIVERSIDE  
SUMMARY OF SUPPLEMENTAL ROLL  
AD VALOREM PROPERTY TAXATION  
FISCAL YEARS 2002-03 THROUGH 2012-13**

<i>Fiscal Year</i>	<i>Tax Levy for Increased Assessments<sup>(1),(2),(3)</sup></i>	<i>Refunds for Decreased Assessments<sup>(1),(3)</sup></i>	<i>Net Supplemental Tax Levy</i>	<i>Collections<sup>(1),(2)</sup></i>
2002-03	\$ 81,055,987	\$ 2,060,886	\$ 78,995,102	\$ 72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09 <sup>(4)</sup>	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922) <sup>(5)</sup>	19,632,809
2010-11	34,612,092	27,686,887	6,925,205	16,813,302
2011-12	26,497,836	18,807,091	7,690,745	17,105,095
2012-13	35,389,177	16,720,188	18,668,989	23,487,988

(1) These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.

(2) Includes current and prior years' taxes, redemption penalties and interest collected.

(3) Tax levy amounts are shown net of minimum tax less than \$10 and refunds are shown net of refunds of negative supplemental taxes less than \$10.

(4) Changes from prior years due to decrease in housing values and lower transaction volume. See discussion below, following the table of Assessed Valuation History by Category and Property Type.

(5) The negative tax levy is a result of refunds exceeding the billed amounts.

Source: County Auditor-Controller/County Treasurer and Tax Collector.

### **The Assessment Roll**

Riverside County's assessed valuations have generally tracked the trends in the local real estate market, subject to the constraints of Propositions 13 and 8. After dramatic increases in the period 2004 to 2007, the assessment roll began to decline in 2009, led by reductions in residential properties, then followed by reductions in commercial and business properties.

In Fiscal Year 2009-10 the roll declined by 10.5%, driven by declines in the single family residential market. The year over year declines continued up to fiscal year 2012-13 which saw a decline of 0.15%. For fiscal year 2013-14 the assessment roll grew by approximately 3.95%.

The residential section of the market has begun to see improvements in 2013. As of July 2013, market prices were still below the peak seen in 2007, but up significantly from the lows reached in 2010.

The following table sets forth the assessed valuation by category and property type for fiscal year 2009-10 through fiscal year 2013-14.

**COUNTY OF RIVERSIDE**  
**ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE<sup>(1)</sup>**  
**FISCAL YEARS 2009-10 THROUGH 2013-14**  
**(IN MILLIONS)**

<i>Category</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>
<b><u>SECURED PROPERTY:</u></b>					
Land	\$ 69,917	\$ 65,877	\$ 64,308	\$ 63,549	\$ 65,635
Structures	137,292	132,431	131,516	132,077	138,000
Personal Property	906	819	836	887	878
Utilities	<u>2,907</u>	<u>3,018</u>	<u>3,614</u>	<u>3,475</u>	<u>3,618</u>
Total Secured	\$ 211,022	\$ 202,145	\$ 200,274	\$ 199,988	\$ 208,131
<b><u>UNSECURED PROPERTY:</u></b>					
Land	\$ 2	\$ 14	\$ 29	\$ 17	\$ 13
Improvements	3,761	3,748	3,778	3,951	3,910
Personal Property	<u>4,154</u>	<u>4,049</u>	<u>3,975</u>	<u>3,895</u>	<u>3,691</u>
Total Unsecured <sup>(2)</sup>	\$ 7,917	\$ 7,811	\$ 7,782	\$ 7,863	\$ 7,614
Grand Total	<u>\$ 218,939</u>	<u>\$ 209,956</u>	<u>\$ 208,059</u>	<u>\$ 207,851</u>	<u>\$ 215,745</u>

<sup>(1)</sup> Assessed valuation is reported as of July 1 of each year at 100% of full taxable value. Pursuant to Article XIII A of the State Constitution (Proposition 13), property is valued for tax purposes at the 1975 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction.

<sup>(2)</sup> Represents total of categories set forth above; does not represent total tax roll values.

Source: County Auditor-Controller/County Assessor.

The following table sets for the County's Fiscal Year 2013-14 assessed valuation by type of property use.

**COUNTY OF RIVERSIDE**  
**FISCAL YEAR 2013-14 ASSESSED VALUATION**  
**BY COUNT AND USE**

<i>Use</i>	<i>Assessment Count</i>		<i>Assessed Value</i>	
Business Personal Property	28,108	3.0%	\$ 7,450,202,021	3.5%
Mining Claims	27	0.0	805,239	0.0
Aircraft	1,155	0.1	153,411,436	0.1
Boats	6,317	0.7	83,031,074	0.0
Residential	518,832	55.1	125,539,661,636	58.9
Condos	63,690	6.8	12,410,928,278	5.8
Mobilehomes	65,054	6.9	3,900,500,038	1.8
Timeshares	101,969	10.8	679,861,349	0.3
Agriculture	7,879	0.8	2,748,495,425	1.3
Commercial	27,407	2.9	41,735,886,320	19.6
Apartments	4,992	0.5	7,342,113,161	3.4
Vacant Land	<u>116,644</u>	<u>12.4</u>	<u>10,930,644,897</u>	<u>5.1</u>
Total	942,074		\$212,975,540,874	

Source: County Auditor Controller/County Assessor.

Proposition 8 assessed valuations can be reduced as a result of an assessment appeal or an assessor-initialized reduction. Property owners can appeal their initial valuation at the time of acquisition to establish their Proposition 13 basis. Subsequently, they may appeal the valuation under Proposition 8 to achieve a temporary reduction below the Proposition 13 value, as adjusted. The County Assessor is required under Proposition 8 to make reductions, should declines in market values call for such reductions.

In response to the decline in the local housing market, for fiscal year 2008-09, the County Assessor proactively reviewed all residential properties and made applicable adjustments to bring the tax roll in line with the then current (depressed) values, without waiting for tax payers to file an appeal. The fiscal year 2008-09 and 2009-10 budgets incorporated these Proposition 8 reductions. The total fiscal year 2008-09 reductions of \$16.2 billion offset a majority of the value increases recorded during the prior year. For fiscal year 2009-10, the County Assessor reviewed the values of approximately 300,000 properties, including those reduced in the prior year, and reduced total valuation by approximately \$40 billion. This resulted in a net decline in assessed valuation from the prior year of approximately 10.5%. In fiscal year 2010-11, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which encompassed approximately 400,000 properties. This was a major factor in a net decline in assessed valuation from the prior fiscal year of approximately 4.25%. In fiscal year 2011-12, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 1.5% decline in assessed valuation from the prior fiscal year. In fiscal year 2012-13, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 0.15% decline in assessed valuation from the prior fiscal year. Cumulatively, assessed valuation in the County declined 16.36% from fiscal year 2007-08 through fiscal year 2012-13 due to the County Assessor's proactive reviews. However, assessed valuation in the County increased from fiscal year 2012-13 to fiscal year 2013-14 by approximately 3.95%.

***Property Tax Appeals.*** The County has received assessment appeals applicable to fiscal year 2012-13 totaling approximately \$21 billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of \$2.9 billion of assessed value was reduced from the County tax roll in fiscal year 2011-12 and fiscal year 2012-13, representing \$2.7 million in general purpose taxes over the two-fiscal year period. Approximately 78% of the fiscal year 2011-12 assessment appeals have been completed. The majority of the remaining fiscal year 2011-12 assessment appeals are expected to be completed by November 30, 2013.

The County cannot predict with certainty the outcome of the assessment appeals that have been filed but not resolved. It is expected that the impact of the assessment appeals on the fiscal year 2013-14 budget will be determined primarily by two components: (i) the remainder of the fiscal year 2011-12 assessment appeals still to be completed; and (ii) a portion of the fiscal year 2012-13 and fiscal year 2013-14 assessment appeals being completed during fiscal year 2013-14.

### **Teeter Plan**

In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year end. Under this plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its General Fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's General Fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment. The penalties and interest, net of financing costs, are a substantial source of income for the County.

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then-accumulated secured roll property tax delinquencies and to place the remaining 5%

in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In fiscal year 2012-13, approximately 76% of all taxing entities participated in the Teeter Plan, representing approximately 55% of the total secured tax levied in fiscal year 2012-13.

Pursuant to the Teeter Plan, the County is also required to establish a tax losses reserve fund to cover losses which 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). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund will be fully funded, in accordance with the County's election to be governed by the first alternative, and this amount has consistently been sufficient to provide for any tax losses. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County's General Fund.

Funding for the County's on-going obligations under the Teeter Plan was completed through the sale, in October 2012, of County of Riverside 2012 Teeter Obligation Notes, Series D (the "2012 Series D Notes") in the amount of approximately \$142.8 million. The proceeds of the 2012 Series D Notes refunded the outstanding County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B originally issued in the amount of \$171.3 million. The 2012 Series D Notes funded an advance of approximately \$52.9 million representing fiscal year 2011-12 delinquent property taxes and refinanced approximately \$92.3 million representing prior years' delinquent property taxes. The 2012 Series D Notes mature on October 16, 2013 and are being partially refunded with the proceeds of the Notes. See "THE NOTES—Security for the Notes" and "—Purpose of Issue."

## Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for fiscal year 2012-13.

### COUNTY OF RIVERSIDE TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2012-13 COMBINED TAX ROLLS<sup>†</sup>

<i>Taxpayer</i>	<i>Total Taxes Levied</i>	<i>Percentage of Total Tax Charge</i>
Southern California Edison Company	\$ 23,532,327.64	0.83%
Verizon California Inc.	9,205,279.60	0.33
Southern California Gas Company	6,789,190.40	0.24
Inland Empire Energy Center, LLC	5,993,563.64	0.21
Federal National Mortgage Association	3,416,198.58	0.12
Tyler Mall Ltd. Partnership	2,898,956.08	0.10
Abbott Vascular Inc.	2,898,956.08	0.10
Blythe Energy, LLC	2,739,241.06	0.10
Bank of New York Mellon	2,726,205.98	0.10
Chelsea GCA Realty Partnership	2,524,875.10	0.09
Roripaugh Valley Restoration	2,507,852.12	0.09
Standard Pacific Corp.	2,458,978.88	0.09
Wal Mart Real Estate Business Trust	2,443,706.96	0.09
Lowe's HIW Inc.	2,402,339.86	0.09
Costco Wholesale Corp.	2,389,170.50	0.08
Target Corp.	2,375,335.00	0.08
Wells Fargo Bank	2,042,528.46	0.07
Health Care REIT	2,034,665.18	0.07
Palm Desert Funding Co.	2,033,212.92	0.07
Richmond American Homes of Maryland Inc.	2,027,563.68	0.07
KB Home Coastal Inc.	1,961,845.42	0.07
Pacific Bell Telephone Co. DBA AT&T California	1,933,850.04	0.07
Bank of America	1,887,533.60	0.07
KSL Desert Resort	1,881,481.98	0.07
Walgreen Co.	1,712,418.54	0.06
Total	\$ 94,815,766.07	3.36%
Total Tax Charge for 2012-13	<u>\$ 2,821,808,183.51</u>	

<sup>†</sup> Includes secured, unsecured and State-assessed property.  
Source: County Treasurer and Tax Collector.

The 10 largest property owners in the County by assessed value for all properties, for fiscal year 2013-14 are shown below.

**COUNTY OF RIVERSIDE  
TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2013-14  
BY ASSESSED VALUE**

<i>Assessee</i>	<i>Assessed Value</i>
Eisenhower Memorial Hospital	\$ 362,181,082
Kaiser Foundation Hospital	314,501,977
Walgreen Co.	262,378,841
Time Warner Cable Pacific West LLC	252,013,048
Abbott Vascular Inc.	234,075,384
Target Corp.	226,121,225
Kaiser Foundation Health Plan Inc.	218,097,077
Lowes HIW Inc.	215,047,054
Costco Wholesale Corp.	214,356,553
Ross Dress for Less Inc.	202,322,179
Subtotal	\$ 2,501,094,420
All Others	210,474,446,454
Total	<u>\$ 212,975,540,874<sup>†</sup></u>

<sup>†</sup> Excludes State assessed property. Does not reflect any applicable exemptions.  
Source: County Assessor.

### Other Taxing Entities

The County does not retain all of the property taxes it collects for its own purposes. The bulk of the funds collected are disbursed to other agencies. For fiscal year 2011-12, the County retained approximately 12.39% of the total amount collected (and is budgeted to retain 12.24% in fiscal year 2012-13). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law (See “—Redevelopment Agencies” below). Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

The County’s share of the property tax will vary throughout the County depending upon the presence of other taxing entities, e.g. cities, water districts, sanitation districts, school districts and redevelopment agencies. Legislation enacted as part of the State’s 2011 Budget Act eliminates redevelopment agencies, with formal dissolution effective as of February 1, 2012. See “—Redevelopment Agencies” below.

### Redevelopment Agencies

The California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*) authorized the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues on a portion of the taxes generated in a project area including: 1) on the “frozen” tax base; 2) for project areas adopted prior to January 1, 1994, local taxing authorities may receive an additional amount based on any negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds; and, 3) for project areas adopted after January 1, 1994, local taxing authorities receive a pass-through payment based on statutory rules pursuant to Section 33607.5 of the California Health and Safety Code. The net effect of the formation of a redevelopment area is to redistribute tax revenues away from the AB 8 formula. Redevelopment agencies generally receive the majority of the taxes to be allocated. Other taxing entities may receive a portion of the tax revenue pursuant to agreements negotiated with the redevelopment agency.

The following table summarizes the community redevelopment agencies' frozen base value, full cash value increments, and total tax allocations.

**COUNTY OF RIVERSIDE  
COMMUNITY REDEVELOPMENT AGENCIES'  
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS  
AND TOTAL TAX ALLOCATIONS  
FISCAL YEARS 2001-02 THROUGH 2013-14**

<i>Fiscal Year</i>	<i>Frozen Base Value</i>	<i>Full Cash Value Increments<sup>(1)</sup></i>	<i>Total Tax Allocations<sup>(2) (3)</sup></i>
2001-02	\$11,061,406,310	\$23,504,382,046	\$236,954,730
2002-03	11,061,415,310	26,977,389,195	271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	34,974,969,456	352,904,769
2005-06	14,682,893,563	42,414,898,724	427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605	62,342,584,603	630,001,609
2010-11	15,980,487,099	58,188,212,570	586,318,387
2011-12	16,272,503,279	56,687,373,841	598,655,064
2012-13	16,352,697,201	56,178,718,338	594,476,134
2013-14	16,352,697,201 <sup>(4)</sup>	58,479,843,303 <sup>(5)</sup>	618,826,349

<sup>(1)</sup> Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.

<sup>(2)</sup> Actual cash revenues collected by the County and available to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.

<sup>(3)</sup> Includes general purpose and debt; excluded negative increment.

<sup>(4)</sup> Based on County estimate of increment of assessed value for the community redevelopment agencies for fiscal year 2012-13.

<sup>(5)</sup> Full cash value increment including State Assessed properties; has not been adjusted for negative project area increment. Legislation enacted as part of the State's 2011 Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution having taken place on February 1, 2012. The County had previously formed a redevelopment agency with project areas in 45 unincorporated communities. In accordance with ABx1 26, the County redevelopment agency dissolved on February 1, 2012 and the County's Board of Supervisors is acting as the successor agency to the County redevelopment agency. At the time of its dissolution, the County redevelopment agency had a total land area of 82,334 acres, a base year assessed value, including State-owned land, of \$3,971,824,734, and a 2011-12 assessed value of \$8,266,787,927. In fiscal year 2011-12, the pass through payment to the County general fund from the County's redevelopment agency was offset in its entirety pursuant to Health and Safety Code Section 33607.5. As a consequence of the dissolution of redevelopment agencies, the County will not receive pass through payments from the County redevelopment agency, but these amounts are relatively modest.

Source: County Auditor-Controller.

Legislation enacted as part of the State's 2011 Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution having taken place on February 1, 2012. The County had previously formed a redevelopment agency with project areas in 45 unincorporated communities. In accordance with ABx1 26, the County redevelopment agency dissolved on February 1, 2012 and the County's Board of Supervisors is acting as the successor agency to the County's redevelopment agency. At the time of its dissolution, the County redevelopment agency had a total land area of 82,334 acres, a base year assessed value, including State-owned land, of \$3,971,824,734, and a 2011-12 assessed value of \$8,266,787,927. In fiscal year 2011-12, the pass-through payment to the County's general fund from the County's redevelopment agency totaled \$1,600,442.73, and was offset in its entirety pursuant to Health and Safety Code Section 33607.5. As a consequence of the dissolution of redevelopment agencies, the County will no longer receive pass-through payments from the County redevelopment agency, but these amounts are relatively modest and will be largely

offset by the County's receipt of its tax allocation under the AB 8 formula. In fiscal year 2012-13, as the result of the dissolution, the County is receiving a share of residual, unencumbered low and moderate housing and other asset funding. As of April 2013, the County has received approximately \$19.1 million.

In fiscal year 2012-13, the County estimated that it would receive approximately \$78 million in pass-through payments pursuant to agreements with various city redevelopment agencies, and is projecting that it will receive \$79.6 million in pass-through payments in fiscal year 2013-14. Pursuant to ABx1 26 and its following clarifying legislation, the County's negotiated pass-through agreements with these redevelopment agencies remain in full force and effect as enforceable obligations of the successor entity to each such redevelopment agency.

### **Financial Statements and Related Issues**

The County's accounting policies used in preparation of its audited financial statements conform to generally accepted accounting principles applicable to counties. The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues in the accounting period in which they become available and measurable. Expenditures, with the exception of unmatured interest on general long-term debt, are recognized in the accounting period in which the fund liability is incurred. Proprietary funds use the accrual basis of accounting, and revenues are recognized in the accounting period in which they are earned and become measurable, while expenses are recognized in the period during which they are incurred.

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for fiscal year 2010-11 were audited by Brown Armstrong Certified Public Accountants. See APPENDIX B—"THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

The County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* during fiscal year 2001-02. This statement affects the manner in which the County records transactions and presents financial information. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). In addition, the reporting model established by GASB Statement No. 34 includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. The reporting model features a statement of net assets and a statement of activities. The statement of net assets is designed to display the financial position of the government. The County reports all capital assets, including infrastructure assets, in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. For further information on GASB Statement No. 34 and other changes in significant accounting policies, see Note 1 of the Notes to Basic Financial Statements, June 30, 2012, which are included in APPENDIX B—"THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012."



**COUNTY OF RIVERSIDE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN UNRESERVED FUND BALANCES – GENERAL FUND**  
**FISCAL YEARS 2007-08 THROUGH 2011-12**  
**(In Thousands)**

	2007-08	2008-09	2009-10	2010-11	2011-12
BEGINNING FUND BALANCE	\$ 570,964	\$ 481,776 <sup>(1)</sup>	\$ 372,121	\$ 386,486	\$ 343,562
REVENUES					
Taxes	309,295	274,480	229,631	221,807	216,746
Licenses, permits and franchises	24,525	19,840	16,724	18,187	17,648
Fines, forfeitures and penalties	90,788	107,147	112,813	93,528	88,979
Use of money and property – Interest	61,623	33,414	12,197	8,196	4,740
Use of money and property –					
Rents and concessions	2,578	3,157	3,936	3,669	3,798
Government Aid – State	905,998	908,334	820,432	856,327	931,652
Government Aid – Federal	473,731	472,210	504,605	490,088	475,221
Governmental Aid-Other	95,808	95,812	89,312	82,147	80,332
Charges for current services	358,767	364,649	367,249	369,780	354,451
Other revenues	29,308	36,149	30,670	37,654	40,852
TOTAL REVENUES	\$ 2,352,421	\$ 2,315,192	\$ 2,187,569	\$ 2,181,383	\$ 2,214,419
EXPENDITURES					
General government	\$ 145,290	\$ 146,816	\$ 130,516	\$ 109,146	\$ 127,195
Public protection	1,032,582	1,062,437	1,005,679	1,025,584	1,010,999
Public ways and facilities	4,717	4,378	-	-	-
Health and sanitation	368,753	382,588	333,068	345,649	369,165
Public assistance	704,404	719,328	712,353	731,017	719,670
Education	464	675	551	548	579
Recreation and cultural	206	230	312	364	324
Capital Outlay	8,670	22,746	31,018	8,321	2,671
Debt service	26,132	22,501	21,876	24,829	21,426
TOTAL EXPENDITURES	\$ 2,291,218	\$ 2,361,699	\$ 2,234,373	\$ 2,245,458	\$ 2,252,029
Excess (deficit) of revenues over (under) expenditures	61,203	(46,507)	(47,804)	(64,075)	(37,610)
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	\$ 104,892	\$ 99,825	\$ 168,833	\$ 106,047	\$ 123,587
Transfer to other funds	(269,961)	(185,719)	(132,682)	(93,217)	(98,045)
Capital Leases	8,670	22,746	31,018	8,321	2,671
Total other Financing Sources (Uses)	\$ (153,399)	\$ (63,148)	\$ 62,169	\$ 21,151	\$ 28,213
NET CHANGE IN FUND BALANCES	\$ (92,196)	\$ (109,655)	\$ 14,365	\$ (42,924)	\$ (9,397)
FUND BALANCE, END OF YEAR <sup>(2)</sup>	\$ 478,768	\$ 372,121	\$ 386,486	\$ 343,562	\$ 336,598

<sup>(1)</sup> Beginning fund balance 2008-09 does not equal prior year ending fund balance due adjustments to prior year revenue accrual and expenditures.

<sup>(2)</sup> As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller.

**COUNTY OF RIVERSIDE**  
**GENERAL FUND BALANCE SHEETS**  
**AT JUNE 30, 2008 THROUGH JUNE 30, 2012**  
(In Thousands)

	2008	2009	2010	2011	2012
<b>ASSETS:</b>					
Cash & Marketable Securities	\$ 216,816	\$ 150,728	\$ 122,902	\$ 160,887	\$ 151,845
Taxes Receivable	58,256	46,813	27,714	17,790	14,046
Accounts Receivable	48,196	31,150	8,468	12,771	9,196
Interest Receivable	9,384	3,315	2,091	1,119	643
Advances to Other Funds	0	0	0	3,692	3,342
Due from Other Funds	24,716	19,110	25,353	18,787	14,227
Due from Other Governments	239,844	250,144	263,240	276,656	328,817
Inventories	2,105	2,132	1,941	1,564	1,187
Prepaid items	0	3,720	888	277	298
Restricted Assets	263,566	252,084	296,543	283,095	299,673
Total Assets	<u>\$ 866,259</u>	<u>\$ 759,196</u>	<u>\$ 749,140</u>	<u>\$ 777,638</u>	<u>\$ 823,274</u>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 94,061	\$ 68,560	\$ 57,236	\$ 84,116	\$ 75,996
Salaries & Benefits Payable	83,753	88,184	46,376	50,374	57,391
Due To Other Funds	283	0	2,155	2,639	1,466
Due to Other Governments	40,991	47,579	35,161	34,550	40,804
Deferred Revenue	168,282	180,777	218,676	260,343	311,003
Deposits Payable	121	1,975	3,050	2,054	16
Total Liabilities	<u>\$ 387,491</u>	<u>\$ 387,075</u>	<u>\$ 362,654</u>	<u>\$ 434,076</u>	<u>\$ 486,676</u>
<b>FUND BALANCE:<sup>(1)</sup></b>					
Nonspendable				\$ 2,214	\$ 1,834
Restricted				98,552	101,651
Committed				50,097	52,439
Assigned				3,463	8,674
Unassigned				189,236	171,910
Reserved	\$ 84,466	\$ 91,196	\$ 90,374		
Unreserved	<u>394,302</u>	<u>280,925</u>	<u>296,112</u>		
Fund Balance	<u>\$ 478,768</u>	<u>\$ 372,121</u>	<u>\$ 386,486</u>	<u>\$ 343,562</u>	<u>\$ 336,598</u>
Total Liabilities and Fund Balance	<u>\$ 866,259</u>	<u>\$ 759,196</u>	<u>\$ 749,140</u>	<u>\$ 777,638</u>	<u>\$ 823,274</u>

<sup>(1)</sup> As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller.

**COUNTY OF RIVERSIDE  
GENERAL FUND BALANCES  
AT JUNE 30, 2005 THROUGH JUNE 30, 2012  
(In Thousands)**

	<i>Reserved</i>	<i>Unreserved</i>	<i>Total</i>
2005	\$121,249	\$231,205	\$352,454
2006	100,436	346,482	446,918
2007	88,233	482,731	570,964
2008	84,466	394,302	478,768
2009	91,196	280,925	372,121
2010	90,374	296,112	386,486

	<i>Nonspendable</i>	<i>Restricted</i>	<i>Committed</i>	<i>Assigned</i>	<i>Unassigned</i>	<i>Total</i>
2011 <sup>(1)</sup>	\$ 2,214	\$ 98,552	\$50,097	\$3,463	\$189,236	\$343,562
2012	1,834	101,651	52,439	8,764	171,910	336,598

<sup>(1)</sup> As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller.

#### **Short-Term Obligations of County**

In June 2013, the County issued its 2013-14 Tax and Revenue Anticipation Note (the "2013-14 TRAN") in the principal amount of \$250,000,000 to provide cash to meet the County's fiscal year 2013-14 general fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. \$125,000,000 of the 2013-14 TRAN is due March 31, 2014 and \$125,000,000 of the 2013-14 TRAN is due on June 30, 2014. The TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2013-14 fiscal year which are legally available for the payment thereof. The County has issued tax and revenue anticipation notes annually for over twenty consecutive years with timely repayment.

#### **Long-Term Obligations of County**

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of April 1, 2013, the County had \$650,309,993 in direct general fund obligations and \$346,790,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of April 1, 2013.

**COUNTY OF RIVERSIDE**  
**ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS**  
**(AS OF APRIL 1, 2013)**

2012-13 Assessed Valuation: \$205,136,768,340 (includes unitary utility valuation)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/13</u>
Metropolitan Water District	6.160%	\$ 10,169,236
Community College Districts	1.176-99.999	551,599,044
Unified School Districts	1.284-100.	2,116,789,204
Perris Union High School District	100.	51,087,260
Union School Districts	100.	56,358,493
City of Riverside	100.	15,135,000
Eastern Municipal Water District Improvement Districts	100.	40,435,000
Riverside County Flood Control, Zone 3-B Benefit Assessment District	100.	2,055,000
San Geronio Memorial Hospital District	100.	108,170,000
Community Facilities Districts	94.268-100.	2,796,648,860
Riverside County 1915 Act Bonds	100.	3,435,000
City and Special District 1915 Act Bonds (Estimated)	100.	232,420,398
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$5,984,302,495</b>

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
<b>Riverside County General Fund Obligations</b>	<b>100. %</b>	<b>\$ 650,309,993 <sup>(1)</sup></b>
<b>Riverside County Pension Obligations</b>	<b>100.</b>	<b>346,790,000</b>
Riverside County Board of Education Obligations	100.	3,900,000
School Districts General Fund and Lease Tax Obligations	1.284-100.	484,303,062
City of Corona General Fund Obligations	100.	58,940,000
City of Moreno Valley General Fund Obligations	100.	72,729,000
City of Indio General Fund Obligations	100.	40,165,000
City of Palm Springs Certificates of Participation and Pension Obligations	100.	162,418,438
City of Riverside Certificates of Participation	100.	204,082,442
City of Riverside Pension Obligations	100.	127,480,000
Other City General Fund Obligations	100.	84,322,800
Other Water District Certificates of Participation	100.	1,006,854
Other Special District Certificates of Participation	100.	2,880,000
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$2,239,327,589</b>
Less: <b>Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)</b>		<b>11,657,720</b>
City of Corona Certificates of Participation supported by waste water revenues		1,965,000
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$2,225,704,869</b>

<u>OVERLAPPING TAX INCREMENT DEBT:</u>	<b>\$2,849,114,411</b>
<b>GROSS COMBINED TOTAL DEBT</b>	<b>\$11,072,744,495 <sup>(2)</sup></b>
<b>NET COMBINED TOTAL DEBT</b>	<b>\$11,059,121,775</b>

<u>Ratios to 2012-13 Assessed Valuation:</u>	
Overlapping Tax and Assessment Debt .....	2.92%
<b>Combined Gross Direct Debt (\$1,038,668,180) .....</b>	<b>0.49%</b>
<b>Combined Net Direct Debt (\$1,026,272,273) .....</b>	<b>0.48%</b>
Gross Combined Total Debt .....	5.40%
Net Combined Total Debt .....	5.39%

<u>Ratios to Redevelopment Incremental Valuation (\$56,178,718,338):</u>	
Total Overlapping Tax Increment Debt .....	5.07%

<sup>(1)</sup> Excludes issue to be sold.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc. The County has not verified the accuracy of the information provided.

## **Lease Obligations**

The County has used nonprofit corporations and joint powers authorities to finance certain public facilities through the issuance of lease obligations. Pursuant to these arrangements, a nonprofit corporation or joint powers authority constructs or acquires facilities with the proceeds of lease revenue obligations which are then leased to the County. Upon expiration of the lease, title to the facilities vests in the County.

As of August 26, 2013, the County's current outstanding lease obligations total \$697,640,948. The County's annual lease obligation is approximately \$84,313,601 and the maximum annual lease payment is \$90,392,414.

In addition, the County is expecting to enter into lease obligations with Riverside Community Properties Development, Inc. ("RCPD") in the fall of 2013 in connection with the issuance by RCPD of lease revenue bonds in an aggregate principal amount of approximately \$45,000,000 to finance the construction and furnishing of the Indio Law Center in the City of Indio which will be leased to the County for a term of 30 years.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of August 26, 2013.

**COUNTY OF RIVERSIDE**  
**SUMMARY OF LEASE RENTAL OBLIGATIONS**  
**(PAYABLE FROM THE COUNTY'S GENERAL FUND)**  
**(As of August 26, 2013)**

	<i>Final Maturity Year</i>	<i>Original Lease Amount</i>	<i>Obligations Outstanding</i>	<i>Annual Base Rental<sup>(1)</sup></i>
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	\$ 148,500,000	\$ 39,800,000	\$ 13,417,318 <sup>(2)</sup>
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	7,475,000	
1997 Series A	2026	41,170,073	38,136,209	
1997 Series C	2019	3,265,000	3,265,000	
2012 Series A and B <sup>(3)</sup>	2019	90,530,000	90,250,000	19,880,794 <sup>(3)</sup>
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	4,800,000	814,000 <sup>(4)</sup>
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2008 Series A	2022	72,445,000	56,655,000	8,263,100
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	11,220,000	868,495
2005 Series B <sup>(5)</sup>	2027	22,610,000	18,720,000	1,575,575
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	8,300,000	1,448,247
County of Riverside Certificates of Participation <sup>(6)</sup>				
(2009 Larson Justice Center Refunding)	2021	36,100,000	20,475,000	2,562,425
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	10,409,739	
Series 2002	2020	925,000	485,000	1,821,748 <sup>(7)</sup>
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	2,240,000	2,300,480
2008 Series A <sup>(8)</sup>	2032	78,895,000	78,895,000	4,067,037
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B <sup>(9)</sup>	2018	8,685,000	2,155,000	404,703
County of Riverside Certificates of Participation (2005 Series A Capital Improv and Family Law Court Refunding Project) <sup>(10)</sup>	2036	51,655,000	44,575,000	3,392,425
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	31,495,000	2,163,069
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	49,280,000	11,108,125
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	14,340,000	1,153,555
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects) <sup>(11)</sup>	2040	45,685,000	45,440,000	1,910,700
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	4,420,000	681,866
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project) <sup>(12)</sup>	2031	33,360,000	31,800,000	2,513,438
County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds) <sup>(13)</sup>	2033	17,640,000	16,995,000	1,387,475
County of Riverside Lease Revenue Bonds ( 2013 Public Defender/Probation Bldg and Riverside County Technology Solutions Center Projects)	2043	66,015,000	66,015,000	2,579,026
<b>TOTAL</b>		<b>\$ 1,115,750,073</b>	<b>\$ 697,640,948</b>	<b>\$ 84,313,601</b>

(1) Annual base rental for fiscal year 2013-2014 unless otherwise noted.

(2) Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending August 26, 2013 was approximately 0.11%.

(3) Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds. The 2012 Series A and B Bonds refunded the 1997 B Bonds. A portion of the proceeds of the 2012 Bonds was used to redeem the 1997 B Bonds and the remaining proceeds will be used to pay for improvements of the Medical Center Campus.

(4) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending August 20, 2013 was approximately 0.22%.

(5) The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.

(6) The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.

(7) Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).

(8) The 2008 Series A refunded the 2000 Series B SWJC Project.

(9) The 2003 Series B refunded the 1993 Master Refunding Project.

(10) A portion of the proceeds of the 2005 Series A Certificates was used to prepay all of the County of Riverside Certificates of Participation (Family Law Court Project).

(11) The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.

(12) The 2012 County Administrative Refunding Project refunded the 2001 County Administrative Annex Project.

(13) The 2012 Public Financing Authority Lease Revenue Refunding Bonds refunded the 2003A Palm Desert Financing Authority Lease Revenue Bonds.

Source: County Executive Office.

## Interest Rate Swap Agreements

The County adopted a written interest rate swap policy (the "Swap Policy") establishing the guidelines for the use of management of interest rate swaps as a method of lowering financing costs and reducing the risks associated with fluctuations in interest rates. The Swap Policy is reviewed annually to provide the appropriate internal framework to ensure that consistent objectives, practices, controls and authorizations are maintained to minimize the County's risk related to its debt portfolio.

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County entered into an amended and restated interest rate swap agreement with a notional amount of \$76,300,000. The interest rate swap agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the new counterparty (the "Counterparty"). Under the swap agreement the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated Aa3 by Moody's, AA- by Standard & Poor's and AA- by Fitch as of July 31, 2013. Downgrade provisions specify that if the long-term senior unsecured debt rating of the Counterparty is withdrawn, suspended or falls below BBB (in the case of S&P) or Baa2 (in the case of Moody's), the County or the party so downgraded is required to post collateral in the amount of its exposure. If the swap agreement is terminated and, at the time of such termination, the fair market value of the swap agreement was negative, the County would be liable to the Counterparty for a termination payment equal to the swap's fair market value. As of July 31, 2013, the swap agreement had a negative fair market value of approximately \$26.0 million (based on the quoted market price from the Counterparty at such date).

The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. The swap agreement provides that if an "Insurer Event" occurs, whereby the insurer fails at any time to have one out of two of the following ratings: (i) a claims-paying ability rating of "A-" or higher from S&P, or (ii) a financial strength rating of "A3" or higher from Moody's, and only in the event that the County's ratings have also been downgraded to below the threshold level of Baa2 from Moody's and BBB from S&P, the County would be required, within one business day of receiving a notice from the Counterparty, to either (A) provide an alternate credit support document acceptable to the Counterparty from a credit support provider with a claims paying ability rating of at least "AA-" from S&P and a financial strength rating of at least "Aa3" from Moody's or an unenhanced rating on its unsecured unsubordinated long-term debt of at least "Aa-" from S&P and at least "Aa3" from Moody's, or (B) give notice to the Counterparty that it will thereafter be subject to the ISDA Credit Support Annex as both a Secured Party and a pledgor in accordance with the terms of such ISDA Credit Support Annex. As of July 31, 2013, Assured Guaranty Corp. had a rating of "AA-" by S&P and "A3" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

## Employees

A summary of the County's employment levels are reflected for the past ten years.

### COUNTY OF RIVERSIDE REGULAR EMPLOYEES 2003 THROUGH 2013

<i>Year</i>	<i>Regular Employees<sup>(1)</sup></i>
2003	14,889
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	17,764
2012	17,815
2013 <sup>(2)</sup>	18,229

<sup>(1)</sup> As of December 31st of each year. Excludes temporary and per diem employees.

<sup>(2)</sup> As of August 22, 2013.

Source: County Human Resources Department

County employees comprise 12 bargaining units, plus another 7 unrepresented employee groups. The bargaining units are represented by six labor organizations. The two largest of these organizations are Service Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), which represent approximately 74% of all County employees in a variety of job classifications. Salary, benefits and personnel items for management, confidential and other unrepresented employees which are exempt from collective bargaining, are governed by a County Resolution and Ordinance for personnel matters.

The County's law enforcement employees (non-management), are represented by the Riverside Sheriffs' Association ("RSA"). Management employees of the law enforcement group are represented by the Riverside County Law Enforcement Management Unit ("LEMU"). The public defenders, County Counsel and prosecuting attorneys of the District Attorney's Office are represented by the Riverside County Deputy District Attorneys Association ("RCDDAA").

The County is currently subject to long-term agreements with all of its represented bargaining units. Most of the agreements cover a four to five year period, with the longest agreement ending in June 2017 and the shortest agreement ending in June 2015.

## Retirement Program

**General.** The County provides retirement benefits to all regular County employees through its contract with California Public Employees' Retirement System ("PERS"), a multiple-employer public sector employee defined benefit pension plan. The retirement plan, as amended, provides coverage for eligible employees in the Miscellaneous Plan (herein defined) with PERS and Social Security, and coverage in lieu of Social Security for Safety members. PERS provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. The retirement benefits are based on years of service, age and the average monthly qualifying wages during the highest single year of employment. The benefit for members is the product of the benefit factor (based on age), years of service, and final compensation. Due to recent changes to the plans, the County's retirement plans currently includes three



tiers of benefits. For Miscellaneous members who qualify based on their date of hire for Tier I benefits, the benefit factor ranges from 2% at age 50 to 3% at age 60 and beyond. For Safety members who qualify based on their date of hire for Tier I benefits, the benefit factor is 3% at age 50 and beyond. The plan also provides for cost-of-living adjustments of up to 2% per year after retirement. For further information on the County's pension obligations, see Note 18 of the Notes to Basic Financial Statements, June 30, 2012, which are included in APPENDIX B—"THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

In 2010, the County established a Pension Reform Advisory Committee ("PRAC") to review pension reform options for the County. PRAC delivered its conclusions and recommendations to the Board of Supervisors in September 2010. The PRAC committee's conclusions and recommendations included: (i) that current unfunded liability in the County's pension resulted in part from the "pension contribution holidays" and County should avoid future pension funding holidays or deferral of regular pension payments, (ii) the County will seek pension reform in upcoming bargaining negotiations, (iii) pension reform for new hires will be limited to benefit options provided by PERS, (iv) pension reform for existing County employees should be viewed in terms of changes within total compensation, and (v) analyze legal limitations on pension reform.

In April 2011, the Board of Supervisors approved a second tier ("Tier II") level of benefits for new Miscellaneous and Safety employees. The County implemented Tier II on August 23, 2012 for employees first employed by the County after that date. The retirement benefit calculation is based on years of service, age, and the average monthly qualifying wages during the highest three consecutive years of employment. The Tier II benefits for Miscellaneous Plan members ranges from 1.092% at age 50 to 2.418% at age 63 and beyond. For Safety Plan members, the Tier II benefits range from 2% at age 50 to 2.7% at 55 and beyond. The plans also provide for cost-of-living adjustments of up to 2% per year after retirement.

On September 12, 2012, Governor Brown signed Assembly Bill 340, creating the Public Employees' Pension Reform Act ("PEPRA") and amending certain sections of the County Employees Retirement Act of 1937 (the "1937 Act"). Among other things, PEPRA creates a new benefit tier for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013. The new tier ("Tier III") has a single general member benefit formula and three safety member benefit formulas that must be implemented by all public agency employers unless the formula in existence on December 31, 2012 has both a lower normal cost and lower benefit factor at normal retirement age. PEPRA requires that all new employees/member, hires on or after January 1, 2013, pay at least 50% of the normal cost contribution. Tier III benefits are set 2% at 62 for Miscellaneous members and at 2.7% at 57 for Safety members. The normal cost contribution is the contribution set by the retirement system's actuary to cover the cost of current year of service. The County believes that the provisions of PEPRA will help to control its pension benefit liabilities in the future.

In May 2013, the Riverside Sheriffs' Association ("RSA") filed a complaint in the Superior Court of the County against the State and the County asking the Court to declare that the provisions of PEPRA are unconstitutional as applied to its members. RSA has taken the position that the lower pension benefit levels provided by PEPRA conflict with the higher benefit levels provided to RSA's members by its collective bargaining agreement with the County. RSA alleges that the unilateral implementation of PEPRA by the state and County violates the Contract Clauses of the California and United States Constitutions by impairing RSA members' rights to pension benefits under the collective bargaining agreement. The State and County deny the allegations and are defending the lawsuit.

***The County's PERS Contract.*** The following information concerning PERS is excerpted from publicly available sources that the County believes to be reliable; however, the County takes no responsibility as to the accuracy of such information and has not independently verified such information. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Safety Plan (the "Safety

Plan”) and a Miscellaneous Plan (the “Miscellaneous Plan” and, together with the Safety Plan, the “PERS Plans”). The County contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the County who are eligible under PERS.

The staff actuaries at PERS prepare an annual actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the County in October 2012 covered PERS’ fiscal year 2010-11). The actuarial valuation expresses the County’s required contribution rates in percentages of payroll, which is the percentage the County must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (e.g., the County’s contribution rates derived from the actuarial valuation as of June 30, 2011, which was prepared in October 2012, is effective for the County’s fiscal year 2013-14). PERS rules require the County to implement the actuary’s recommended rates.

In calculating the annual actuarially required contribution rates, the PERS actuary calculates on the basis of certain assumptions regarding the actuarial present value of benefits that PERS will pay under the PERS Plans, which includes two components, the Normal Cost and the Unfunded Accrued Actuarial Liability (the “UAAL”). The normal cost represents the actuarial present value of benefits that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age at retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that PERS will distribute under the PERS Plans to retirees and active employees upon their retirement. It is not a fixed or hard expression of the liability the County owes to PERS under the PERS Plans. The County’s actual liability under the PERS Plans could be materially higher or lower.

In April 2005, the PERS Board approved an employer rate stabilization policy with the following features: (i) in the calculation of the actuarial value of assets, market value asset gains and losses will be spread over 15 years instead of 3 years; (ii) the corridor limits for the actuarial value of assets will be changed from 90%-110% of market value to 80%-120% of market value; (iii) gains and losses will be amortized over a rolling 30-year period (amortization payment on gains and losses had been 10% of the base); and (iv) the minimum employer contribution rate will be a percentage equal to the employer normal cost minus a 30-year amortization of surplus (but not less than 0%).

In calculating the UAAL in an actuarial valuation, the PERS actuary spreads gains and losses over a number of years (the exact number of which is adjusted as expected values fluctuate) using a “smoothing technique.” Under the rate stabilization policy effective as of April 2005, one-fifteenth (1/15) of the market value change will be recognized in a given fiscal year. In each actuarial valuation, the PERS actuary calculates what was the expected actuarial value of the assets (the “Expected Value”) of the PERS Plans at the end of the fiscal year, which assumes, among other things, that the actuarial rate of return during that fiscal year equaled the assumed rate of investment return. However, PERS does not allow the Expected Value to be less than 80% or more than 120% of the market value.

In response to the significant asset value declines of fiscal year 2008-09, the PERS Board approved an enhancement to its smoothing methodology in June 2009. The enhanced smoothing methodology incorporates a 3-year phase-in of the fiscal year 2008-09 investment loss by temporarily relaxing the constraints on the smoothed value of assets around the market value. The corridor will be allowed to expand between 60%-140% for the fiscal year 2011-12 contribution rate determination, 70%-130% for the fiscal year 2012-13 contribution rate determination, and then return to the 80%-120% for the fiscal year 2013-14 and beyond

contribution rate determination. Asset losses outside the 80%-120% corridor are isolated and paid for with a fixed 30-year amortization schedule.

In March 2012, the PERS Board approved a change in the inflation assumption used in the actuarial valuations that set employer contribution rates. The inflation assumption was changed from 3% to 2.75%. The change impacted the inflation component of the annual investment return assumption, the long term payroll growth assumption and the individual salary increase assumptions as follows: (i) the annual assumed investment return has decreased from 7.75% to 7.50%; and (ii) reducing payroll growth from 3.25% to 3%. The change to the inflation assumption also impacted the cost of living adjustments and purchasing power protection allowances assumed in the actuarial valuations. The PERS Board also approved the amortization of gains and losses from fiscal years 2008-09 through 2010-11 over a fixed and declining 30-year period (rather than a rolling 30-year amortization).

As a result of these changes, according to the County's actuary, Bartel & Associates ("Bartel"), the County's Miscellaneous Plan will incur an increase in the employer contribution rate of 1.0% of payroll for fiscal year 2014-15 and an increase of 0.3% of payroll for fiscal year 2015-16. The Safety Plan is estimated to incur an increase in the employer contribution rate of 1.23% of payroll for fiscal year 2014-15 and an increase of 0.50% of payroll for fiscal year 2015-16. For complete updated inflation and actuarial assumptions, please contact PERS at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, Telephone: (888) 225-7377.

In addition to required County contributions, members are also obligated to make certain payments. The Tier I members' contribution rates are fixed at 9% of salaries for the Safety Plan and 8% of salaries for the Miscellaneous Plan. Tier II and Tier III contribution rates vary based on the terms of the collective bargaining agreements in effect. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County has historically been obligated pursuant to collective bargaining arrangements to pay a portion of the employees' required contribution to PERS (these payments by the County are referred to herein as the "County Offsets of Employee Contributions").

In fiscal year 2011-12, the County entered into collective bargaining agreements with all of its bargaining units. Most of the agreements cover a four to five year period, with the longest agreement ending in June 2017. As part of these agreements, the parties agreed on a phase out of the County's obligation to pay the employee's required member contributions. The elimination of the County's obligation to pay employee's required member contributions is anticipated to produce significant annual savings. Member contributions, including County Offsets of Employee Contributions, are not included in the required employer contribution rates prepared by PERS.

**Funding Status.** The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under "—Historical Funding Status." In the actuarial valuation for the Miscellaneous Plan as of June 30, 2011, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 15.001% be implemented as the required rate for fiscal year 2013-14, which the County anticipates will result in a contribution to PERS of approximately \$125.8 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately \$8 million in County Offsets of Employee Contributions for fiscal year 2013-14, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year 2013-14 of approximately \$133.9 million. In the actuarial valuation for the Safety Plan as of June 30, 2011, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 23.368% be implemented as the required rate for fiscal year 2013-14, which the County anticipates will result in a contribution to PERS of approximately \$63.3 million for that fiscal year. In addition, the County will pay to PERS for the Safety Plan approximately \$5.2 million in County Offsets of Employee Contributions for fiscal year 2013-14, which will result in a total contribution by the County to PERS for the Safety Plan for fiscal year 2013-14 of approximately \$68.6 million.

Absent reforms, some of which have already been initiated by the County, contribution rates under the PERS Plans are expected to increase substantially over the next three years due to the significant investment losses during fiscal year 2008-09. While investment gains experienced in fiscal years 2009-10 through 2011-12 will offset some of the previous losses, an actuarial loss remains, requiring the County to pay the entire normal cost payment plus a portion of the UAAL that has resulted. It is also anticipated that employer contribution rates will increase as a result of the PERS Board approval of a lower discount rate of 7.5% down from 7.75%.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the "2005 Pension Obligation Bonds"), the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. The payment to PERS resulted in a net pension asset of \$396.9 million, \$311.2 million of which was applied to the County's UAAL for the Miscellaneous Plan and \$85.7 million of which was applied to the County's UAAL for the Safety Plan. According to Bartel, due to the fiscal year 2008-09 investment losses, the 2005 Pension Obligation Bonds have resulted in a net gain to the County of \$5.0 million as of February 15, 2013. A liability management fund was established in connection with the 2005 pension obligation bonds. From 2006 to 2008, pursuant to recommendations set forth in the annual Pension Advisory Review Committee ("PARC") reports, the Board of Supervisors authorized the transfer of funds to PERS to reduce the County's PERS liability. In 2009, pursuant to the PARC recommendations, the Board of Supervisors authorized the use of \$6 million from the Liability Management Fund to purchase 2005 Pension Obligation Bonds in the open market for the purpose of retiring such bonds. From that amount, the County purchased \$4.5 million worth of the 2005 Pension Obligation Bonds and retired them, achieving a debt service savings of \$247,000. In 2010, liability management funds of \$8.3 million were transferred to PERS. In 2011, liability management funds of \$5.4 million were transferred to balance the fund used to close out the PERS prepayments made in July 2011. In 2012, a payment of \$1 million was made to PERS from this fund. The effect of such prepayments on the County's UAAL, if any, will depend on a variety of factors, including but not limited to future investment performance.

**Historical Funding Status.** The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 2007 through June 30, 2011 and the total employer contributions made by the County for fiscal year 2009-10 through fiscal year 2013-14. The two tables are based on PERS Actuarial Reports for those years:

#### HISTORICAL FUNDING STATUS (Safety Plan)

<i>Valuation Date June 30,</i>	<i>Unfunded Accrued Actuarial Liability</i>	<i>Funded Status</i>	<i>Affects County Contribution for Fiscal Year</i>	<i>County Contribution Amount<sup>(1)</sup></i>	<i>County Offsets of Employee Contributions</i>
2007	\$ 78,113,619	94.3%	2009-10	\$51,419,807	\$19,286,741
2008	55,295,801	96.2	2010-11	53,117,897	21,222,703
2009	131,506,806	92.0	2011-12	60,667,388	13,460,331 <sup>(3)</sup>
2010	184,737,814	89.8	2012-13	64,076,419 <sup>(2)</sup>	11,759,972 <sup>(2)(3)</sup>
2011	286,064,497	85.9	2013-14	69,679,000 <sup>(2)</sup>	2,703,000 <sup>(2)(3)</sup>

<sup>(1)</sup> Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Safety Plan or otherwise.

<sup>(2)</sup> Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of fiscal years 2012-13 and 2013-14.

<sup>(3)</sup> Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.

Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

**HISTORICAL FUNDING STATUS**  
(Miscellaneous Plan)

<i>Valuation Date</i> <i>June 30,</i>	<i>Unfunded Accrued Actuarial Liability</i>	<i>Funded Status</i>	<i>Affects County Contribution for Fiscal Year</i>	<i>County Contribution Amount<sup>(1)</sup></i>	<i>County Offsets of Employee Contributions</i>
2007	\$135,212,288	95.5%	2009-10	\$ 89,998,824	\$39,731,498
2008	175,248,079	94.8	2010-11	90,944,229	40,041,548
2009	389,195,847	89.7	2011-12	103,892,326	36,974,032 <sup>(3)</sup>
2010	444,330,905	89.2	2012-13	106,993,503 <sup>(2)</sup>	17,875,440 <sup>(2)(3)</sup>
2011	538,055,042	87.9	2013-14	154,422,000 <sup>(2)</sup>	8,321,000 <sup>(2)(3)</sup>

<sup>(1)</sup> Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Miscellaneous Plan or otherwise.

<sup>(2)</sup> Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of fiscal years 2012-13 and 2013-14.

<sup>(3)</sup> Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.

Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

A five-year schedule of the funding progress of the Safety Plan and the Miscellaneous Plan are presented in the following two tables:

**SCHEDULE OF FUNDING PROGRESS**  
(Safety Plan)

<i>Valuation Date</i> <i>June 30,</i>	<i>Accrued Liability</i> <i>(a)</i>	<i>Actuarial Value of Assets</i> <i>(b)</i>	<i>Unfunded Liability</i> <i>(a-b)</i>	<i>Funded Status</i> <i>(b/a)</i>	<i>Annual Covered Payroll</i> <i>(c)</i>	<i>UAAL as a Percentage of Payroll</i> <i>((a-b)/c)</i>
2007	\$1,369,534,165	\$1,291,420,546	\$ 78,113,619	94.3%	\$214,634,238	36.4%
2008	1,469,415,642	1,414,119,841	55,295,861	96.2	240,746,309	23.0
2009	1,642,544,731	1,511,047,925	131,506,806	92.0	265,237,512	49.6
2010	1,809,467,588	1,624,729,774	184,737,814	89.8	265,165,399	69.7
2011	2,032,001,280	1,745,936,783	286,064,497	85.9	273,169,605	104.7

Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011.

**SCHEDULE OF FUNDING PROGRESS**  
(Miscellaneous Plan)

<i>Valuation Date</i> <i>June 30,</i>	<i>Accrued Liability</i> <i>(a)</i>	<i>Actuarial Value of Assets</i> <i>(b)</i>	<i>Unfunded Liability</i> <i>(a-b)</i>	<i>Funded Status</i> <i>(b/a)</i>	<i>Annual Covered Payroll</i> <i>(c)</i>	<i>UAAL as a Percentage of Payroll</i> <i>((a-b)/c)</i>
2007	\$3,029,360,507	\$2,894,148,219	\$135,212,288	95.5%	\$754,117,986	17.9%
2008	3,350,222,866	3,174,974,787	175,248,079	94.8	841,612,805	20.8
2009	3,790,232,824	3,401,036,977	389,195,847	89.7	841,103,683	46.3
2010	4,097,191,707	3,652,860,802	444,330,905	89.2	854,932,117	52.0
2011	4,461,553,672	3,923,498,630	538,055,042	87.9	812,362,628	66.2

Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2009-10 through fiscal year 2013-14 to satisfy its retirement funding obligations.

**SCHEDULE OF EMPLOYER CONTRIBUTION RATES**  
**Valuation Date**

<i>June 30,</i>	<i>Affects Contribution Rate for Fiscal Year:</i>	<i>Safety Plan</i>	<i>Miscellaneous Plan</i>
2007	2009-10	18.605%	11.999%
2008	2010-11	19.335	12.165
2009	2011-12	21.286	13.112
2010	2012-13	22.459	13.494
2011	2013-14	23.368	15.001

Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011.

**Projected County Contributions and UAAL.** The County's projections with respect to the UAAL below reflect certain significant assumptions concerning future events and circumstances. The financial forecast represents the County's best estimate of projected results based on its judgment of the probable occurrence of future events. The assumptions set forth below are material to the development of the County's projections. Variations in the assumptions may produce substantially different results. Actual results during the projection period may vary from those presented in the forecast, and such variations may be material.

The investment losses incurred by CalPERS in 2008 – 2009 impact the County's contribution rates beginning in fiscal year 2011-2012. The PERS actuary, in its June 30, 2010 actuarial valuation, projected that the County's contribution rates under the Safety Plan and the Miscellaneous Plan will increase quickly through fiscal year 2014-15, followed by additional but less severe rate increases for the next 15 years.

The County's projected contribution rates are affected by the market rate of return in the PERS Plans. There currently exists a difference between the actuarial value and the market value of the assets in the PERS Plans. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments, which spread the impact of gains and losses over multiple years. When the market asset return in the PERS Plans differs from the actuarial assumed rate of 7.50% in any fiscal year, the actuarial practice of smoothing losses over several years impacts the contribution rate until such differences are fully realized by the actuarial valuation. For example, when the market rate of return is below the assumed rate, the PERS Plans will realize a loss for actuarial purposes. Any such actuarial loss will be smoothed in a manner that the PERS Plans will only be impacted by a pre-determined portion of that loss in one fiscal year, which will act to gradually increase contribution rates in succeeding fiscal years. For further details on the smoothing policy of PERS, see "– The County's PERS Contract" above. According to the PERS actuary, as of June 30, 2011, the funded status of the Miscellaneous Plan based on its market value of \$3,525,640,733 was 79.0% and the funded status of the Safety Plan based on its market value of \$1,565,799,198 was 77.1%.

**Other Retirement Plans.** The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for Social Security or CalPERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. Based on the actuarial valuation of June 30, 2012, the County's current required contribution level is 1.79%. The County elected to contribute 2.60% to achieve a 90% funded ratio by June 30, 2013, so the County's contribution to the Plan was \$588,977 for fiscal year 2011-12 and is estimated to be approximately \$622,000 for fiscal year 2012-13. The Plan's unfunded liabilities as of June 30, 2012 are approximately \$272,000.

***Other Post Employment Benefits.*** The County provides certain post-retirement health insurance benefits to qualifying retired employees and their eligible dependents or survivors. Regular employees with a minimum service of five years and who are at least age 50 at retirement qualify to receive the post-retirement benefits.

The County of Riverside obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of July 1, 2012 (the "Health Benefits Valuation"), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an interest rate of 7.61%, the present value of benefits was estimated to be \$52.1 million, the accrued actuarial liability was estimated to be \$42.9 million and the annual normal cost was \$1.3 million. If the accrued actuarial liability of \$42.9 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been \$2.6 million.

The Board of Supervisors took action on October 25, 2006 to set aside \$10 million as a contribution to an OPEB Trust. On November 7, 2007 the OPEB Trust was established with CalPERS and a payment of \$10.4 million was made to the trust. On June 26, 2009, the County contributed an additional \$2.2 million to the trust. The pre-funding of OPEB through the use of an OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust. According to the Health Benefits Valuation, overall the actions of the Board have reduced the County's OPEB liability from \$237 million in 2006 to \$20.3 million most recently. The bulk of the reduction was due to the elimination of an "implicit subsidy" attributable to a single rate category combining pre-Medicare retirees with employees.

### **Medical Center**

The County has the responsibility for providing health care to all individuals, regardless of their ability to pay or insurance status. In recent years, it has become more and more difficult to meet this obligation as a Riverside County safety net provider. Declining and inadequate federal and State health care reimbursement and non-payment by the growing uninsured, coupled with rising service needs as a result of the recent economic downturn and costs of an older and sicker population, place significant demands on the County's health care system.

The Riverside County Regional Medical Center ("RCRMC") is a 520,000 square foot state-of-the-art tertiary care and level II trauma facility, licensed for a total of 439 beds. There are 362 licensed beds in the main acute-care hospital and 77 licensed beds in a separate psychiatric facility. RCRMC has 12 operating rooms, a helipad located directly adjacent to the Trauma Center, and state-of-the-art digital radiology services, including magnetic resonance imaging (MRI) and computerized tomography (CT) and all single bed rooms. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services including hyperbaric oxygen treatments. The RCRMC provides services to patients covered by various reimbursement programs, principally Medicare, Medi-Cal and insurance, in addition to the uninsured.

At June 30, 2012, RCRMC reflected unrestricted net assets of approximately \$48.2 million. RCRMC had a cash balance of approximately \$22 million as of June 30, 2012. In fiscal year 2011-12, RCRMC had an increase in net unrestricted assets of approximately \$44.5 million. RCRMC continued to experience a decline in patient collections in fiscal year 2011-12 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by RCRMC in fiscal year 2011-12 for Medi-Cal days and Medi-Cal costs and unreimbursed costs are subject to future adjustment as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in fiscal year 2005-06. Based on the State's reconciliation of the paid Medi-Cal days and Medi-Cal costs and unreimbursed costs for each public hospital in the State, RCRMC may receive additional payments from the State for fiscal year 2011-12 or may be required to reimburse the State for any overpayment received during such fiscal year. Such reconciliation is generally completed following the submission of cost reports by the State's public hospitals around January 1 of the following fiscal year.

For fiscal year 2012-13, the County anticipates contributing approximately \$10 million to RCRMC from general fund tobacco settlement revenues and \$5 million in redevelopment pass-through funds to support debt service on the main RCRMC facility and to offset operating expenses. RCRMC estimates that a deficit of approximately \$10 million at the end of fiscal year 2012-13.

In its fiscal year 2013-14 recommended budget, RCRMC projected an operating deficit of approximately \$52 million, primarily attributable to uncompensated services provided to uninsured mental health patients and jail inmates. RCRMC is pursuing various avenues to reduce the operating deficit, including maximizing reimbursement from available sources, implementing cost-saving measures and exploring new revenue opportunities. It is the County's intent that RCRMC's costs of providing services be recovered primarily through fees charged for services with minimal or no general fund support, and the County does not intend to provide general fund support to fund RCRMC's projected fiscal year 2013-14 operating deficit.

On July 2, 2013, the Board of Supervisors approved a loan of up to \$40 million to RCRMC from the County's Workers Compensation Fund to cover RCRMC's negative cash position at the end of the 2012-13 fiscal year, which RCRMC estimates to be approximately \$33 million. The negative cash position is largely due to a delay in receipt of Medi-Cal reimbursements from the State. RCRMC estimates that it will collect such receivables by October 2013. RCRMC is required to repay the loan, with interest, by June 30, 2014. If RCRMC is unable to pay on time, then other options will be explored by the County, including the possibility of repayment from the general fund.

## **Insurance**

The County is self-insured for short-term disability, unemployment insurance, general liability, medical malpractice and workers' compensation claims. General liability claims are self-insured to \$1 million for each occurrence and the balance (to \$25 million for each occurrence) is insured through CSAC Excess Insurance Authority. Medical malpractice is self-insured for the first \$1.1 million for each claim and insured for the balance to \$20 million for each claim on an occurrence basis, through CSAC Excess Insurance Authority. Workers' compensation claims are self-insured to \$2 million for each occurrence and the balance is statutory limits (unlimited) is insured through CSAC Excess Insurance Authority. Long-term disability income claims are fully insured by an independent carrier.

The property insurance program provides insurance coverage for all risks subject to a \$50,000 per occurrence deductible; flood coverage is subject to a 2% of total value per unit per occurrence, with a \$100,000 minimum per occurrence and \$500,000 maximum per occurrence deductible within a 100-year flood zone and a \$25,000 deductible outside of a 100-year flood zone. Property in the County is categorized into four "towers" and each tower provides \$172.5 million in limits. Earthquake coverage (covering scheduled locations and buildings equal to or greater than \$1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of \$82.5 million with an additional \$225 million excess rooftop limit combined for towers I through V. Earthquake is subject to a deductible equal to 5% of total value per building subject to a \$100,000 minimum. Boiler and machinery provides up to \$100 million in limits, with a \$5,000 deductible per event. The limits in each tower are shared with other counties on a per event basis. If a catastrophic event occurs and losses exceed the limits, the County would be responsible for such amounts.

The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2012 are reported in these funds. Where these funds have an unfunded liability, or insufficient reserves to cover all incurred but not reported claims, the County has developed a policy to manage the accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses. The combined cash balance in these funds as of June 30, 2013 was approximately \$183.9 million.



**Litigation**

There is no action, suit or proceeding known to the County be pending or threatened, restraining or enjoining the execution or delivery of the Notes or in any way contesting or affecting the validity of the foregoing or any proceedings of the County taken with respect to any of the foregoing. Although the County may, from time to time, be involved in legal or administrative proceedings arising in the ordinary course of its affairs, it is the opinion of the County that any currently-pending or known threatened proceedings will not materially affect the County's finances or impair its ability to meet its obligations.

§ \_\_\_\_\_  
**COUNTY OF RIVERSIDE**  
**2013 SERIES D TEETER OBLIGATION NOTES (TAX-EXEMPT)**  
 and  
**2013 SERIES E TEETER OBLIGATION NOTES (TAXABLE)**

**NOTE PURCHASE AGREEMENT**

\_\_\_\_\_, 2013

Riverside County Board of Supervisors  
 County of Riverside  
 4080 Lemon Street, 4th Floor  
 Riverside, California 92501

Ladies and Gentlemen:

The undersigned, Wells Fargo Bank, N.A. (the "Representative"), as representative of itself and E. J. De La Rosa & Co., Inc. (collectively, the "Underwriters"), offers to enter into this Note Purchase Agreement (the "Note Purchase Agreement") with the County of Riverside (the "County"). This offer is made subject to written acceptance by the County prior to 11:59 p.m., Pacific Daylight Time, on the date hereof, and, upon such acceptance, this Note Purchase Agreement will be binding upon the County and the Underwriters.

1. Purchase and Sale of the Notes. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriters hereby agree to purchase from the County for reoffering to the public, and the County hereby agrees to sell to the Underwriters for such purpose, all (but not less than all) of the County's 2013 Series D Teeter Obligation Notes (Tax-Exempt) (the "2013 Series D Notes"), in the aggregate principal amount of \$ \_\_\_\_\_ and the 2013 Series E Teeter Obligation Notes (Taxable ) (the "2013 Series E Notes" and, together with the 2013 Series E Notes, the "Notes"). The aggregate purchase price to be paid by the Underwriters for the 2013 Series D Notes shall be \$ \_\_\_\_\_, being the principal amount of the 2013 Series D Notes, plus net original issue premium of \$ \_\_\_\_\_, and less an Underwriters' discount of \$ \_\_\_\_\_. The aggregate purchase price to be paid by the Underwriters for the 2013 Series E Notes shall be \$ \_\_\_\_\_, being the principal amount of the 2013 Series E Notes, plus net original issue premium of \$ \_\_\_\_\_, and less an Underwriters' discount of \$ \_\_\_\_\_.

2. The Notes. The Notes shall be dated their date of issuance and shall mature on October [16,] 2014. The Notes are being issued under a resolution adopted by the Board of Supervisors of the County (the "Resolution") and a Fiscal Agent Agreement, dated as of October 1, 2013 (the "Fiscal Agent Agreement"), by and between the County and The Bank of New York Mellon Trust Company, N.A. (the "Fiscal Agent"), and in full conformity with the Constitution and laws of the State of California, as amended and supplemented. The 2013 Series D Notes and the 2013 Series E Notes will bear interest at the rates set forth in Exhibit A hereto. The Notes

will be registered initially in the name of "Cede & Co." as nominee of The Depository Trust Company ("DTC") in New York, N.Y., the securities depository for the Notes.

3. Use of Documents. The County has delivered to the Underwriters copies of its Preliminary Official Statement dated \_\_\_\_\_, 2013 (the "Preliminary Official Statement"). As of its date, such Preliminary Official Statement has been "deemed final" by the County for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), except for information permitted to be omitted by said Rule. The County agrees to deliver to the Underwriters a final Official Statement, dated the date hereof (the "Official Statement") within 7 business days from the date hereof and in sufficient time to accompany any confirmations requesting payment sent to purchasers. The number of Official Statements so delivered will be sufficient to comply with the requirements of paragraph (b)(4) of the Rule and the Rules of the Municipal Securities Rulemaking Board. The County has approved the distribution by the Underwriters of the Official Statement and the County hereby authorizes the Underwriters to use, in connection with the offer and sale of the Notes, the Official Statement and the Resolution and all information contained herein and therein and all other documents, agreements, certificates or statements furnished by the County to the Underwriters or entered into in connection with the transactions contemplated by this Note Purchase Agreement.

The County will undertake, pursuant to a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), to provide ongoing periodic disclosure and notices of the occurrence of certain events, if material. A description of such undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

4. Public Offering of the Notes. The Underwriters agree to make a bona fide public offering of the Notes at the prices or yields set forth on the cover of the Official Statement. The Underwriters may offer and sell the Notes to certain dealers and banks at prices lower than the public offering price stated on the cover of the Official Statement and said public offering prices may be changed from time to time by the Underwriters.

The County acknowledges and agrees that (i) the purchase and sale of the Notes pursuant to this Note Purchase Agreement is an arm's-length commercial transaction between the County and the Underwriters, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as principal and are not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended), (iii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the County with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether an Underwriters have provided other services or are currently providing other services to the County on other matters) and the Underwriters have no obligation to the County with respect to the offering contemplated hereby except the obligations expressly set forth in this Note Purchase Agreement and (iv) the County has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

5. Closing. At 8:00 a.m., Pacific Daylight Time, on October \_\_\_\_, 2013, or at such other time and on such other date as shall have been mutually agreed upon by the County and the Underwriters (the "Issue Date"), the County will deliver to the Underwriters, through the

facilities of DTC, the Notes in registered form duly executed and other documents hereinafter mentioned, and the Underwriters will accept such delivery and pay the purchase price thereof in immediately available funds to the order of the County (the "Closing").

6. Representations, Warranties and Agreements of the County. The County hereby represents, warrants and agrees with the Underwriters that:

(A) The County is a political subdivision, organized and existing pursuant to the Constitution and laws of the State of California (the "State"), and has all requisite right, power and authority to conduct its business, to adopt the Resolution, to issue the Notes and to execute this Note Purchase Agreement, the Fiscal Agent Agreement and the Continuing Disclosure Certificate (collectively, the "Documents"), and to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by the Documents.

(B) (i) At or prior to the Closing, the County will have taken all actions required to be taken by it to authorize the issuance and delivery of the Notes; (ii) the execution and delivery of the Notes and the Documents, the adoption by the County of the Resolution, and the performance by the County of the obligations contained in the Documents, have been duly authorized and such authorization will be in full force and effect at the time of the Closing; (iii) this Note Purchase Agreement has been duly executed and delivered and constitutes the valid and legally binding obligation of the County enforceable against the County in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws in effect for the protection of debtors and by application of general principles of equity; (iv) the Board of Supervisors has duly authorized the consummation by the County of all transactions contemplated by the Documents and the Resolution; and (v) the County has authorized and approved the Preliminary Official Statement and the Official Statement and the distribution thereof by the Underwriters.

(C) No consent, approval, authorization, license, order, filing, registration, qualification, election or referendum, of or by any person, organization, State court or State governmental agency or public body whatsoever is required for the consummation of the transactions contemplated hereby, except for such actions as have been taken or as may be necessary to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriters may designate (except that the County shall not be responsible for the failure to comply with any such laws of regulations with regard to Blue Sky).

(D) Except as otherwise disclosed in the Official Statement, to the best knowledge of the County, based upon reasonable inquiry, as of the time of acceptance hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before any State court or public body, pending or threatened against the County: (i) in any way affecting the existence of the County or in any way challenging the respective powers of the County or the entitlement of the officials of the County to their respective offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds of the sale of the Notes, or the collection of

revenues or taxes of the County pledged or to be pledged or available to pay the principal of and interest on the Notes, or the pledge thereof, or in any way contesting the validity of the Notes or the Documents, or contesting the powers or authority of the County with respect to the Notes or the Documents; or (iii) in which a final adverse decision would (a) materially adversely affect the consummation of the transactions contemplated by the Documents, or (b) declare the Documents to be invalid or unenforceable in whole or in material part.

(E) As of the date thereof and the date hereof, the Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except for information permitted to be omitted therefrom by the Rule 15c2-12.

(F) As of the date hereof, the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If between the date of the Official Statement and the Closing (i) any event shall occur or any pre-existing fact or condition shall become known which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County shall promptly notify the Underwriters thereof, and (ii) if in the reasonable opinion of the Underwriters and the County, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the County will at its expense supplement or amend the Official Statement in a form and in a manner jointly approved by the Underwriters and the County, which approval shall not be unreasonably withheld.

(G) The County undertakes that, for a period beginning with the day on which the Notes are delivered to the Underwriters and ending on the earlier of (i) the 25th day following the end of the underwriting period, as defined in the Rule under the Securities Exchange Act of 1934, or (ii) 90 days following Closing, it will (a) apprise the Underwriters of all material developments, if any, occurring with respect to the County and (b) if determined by the County or requested by the Underwriters, prepare a supplement to the Official Statement in respect of any such material event. The period described in the preceding sentence shall be reduced to twenty-five (25) days if the Official Statement has been deposited with the Municipal Securities Rulemaking Board (the "MSRB") and is available from such depository upon request. The Underwriters hereby agree to use its best efforts to deposit the Official Statement with the MSRB so that such period will be reduced to twenty-five (25) days. Unless otherwise notified in writing by the Underwriters, the County may assume that the end of this underwriting period occurs on the date when the County delivers the Notes to the Underwriters.

(H) Between the date hereof and the Closing, without the prior written consent of the Underwriters, the County will not have issued any bonds, notes or other obligations

for borrowed money except as may be described in or contemplated by the Official Statement.

(I) Any certificates signed by any official of the County and delivered to the Underwriters shall be deemed a representation and warranty by the County to the Underwriters as to the statements made therein but not of the person signing the same.

(J) The County will punctually pay or cause to be paid the principal of and interest to become due on the Notes in strict conformity with the terms of the Resolution, the Fiscal Agent Agreement and the Notes and it will faithfully observe and perform all of the conditions, covenants and requirements of the Notes and the Documents.

(K) The County will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters if and as the Underwriters may reasonably request in order (i) to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriters may designate and (ii) to determine the eligibility of the Notes for investment under the laws of such states and other jurisdictions and will, if requested by the Underwriters, use its best efforts to continue such qualifications in effect so long as required for distribution of the Notes; provided that the County shall not be required to pay any fees in connection with the foregoing or to subject itself to service of process in any jurisdiction in which it is not presently so subject.

(L) Between the date hereof and the Closing, the County will not modify or amend the Resolution without the prior written consent of the Underwriters.

(M) The County will enter into the Continuing Disclosure Certificate in order to provide the information required therein. Except as disclosed in the Official Statement, the County has not failed to comply in all material respects with a continuing undertaking under the Rule during the previous five years.

(N) The Notes will be issued only under and within the limits of the Resolution and the Fiscal Agent Agreement, and, as such, are general obligations of the County, but payable only out of certain taxes, income, revenue, cash receipts and other moneys to be received by the County as described in the Official Statement.

(O) The County's Comprehensive Annual Financial Report (CAFR) as of June 30, 2012, for the fiscal year ended on such date, as described or set forth, as appropriate, in the Official Statement, is true, complete and correct and fairly presents the financial condition of the County as of such date and the results of its operations for such fiscal year. There has been no material adverse change in the financial condition of the County since June 30, 2012, except as described in the CAFR or the Official Statement.

7. Conditions to Obligations of Underwriters at Closing. The Underwriters have entered into this Note Purchase Agreement in reliance upon the representations and warranties of the County contained herein and the performance by the County of its obligations hereunder, as of the date hereof and as of the Closing. The obligation of the Underwriters to purchase the

Notes at the Closing is subject to the following further conditions, any or all of which can be waived by the Underwriters in writing:

(A) The representations and warranties of the County contained herein shall be true and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriters at the Closing and otherwise pursuant hereto shall be true and correct in all material respects at and as of the Closing;

(B) At and as of the Closing (i) the Official Statement, this Note Purchase Agreement, the Continuing Disclosure Certificate and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been jointly agreed to in writing by the County and the Underwriters; (ii) all actions under which, in the opinion of Orrick, Herrington & Sutcliffe LLP, Note Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the County shall perform or have performed all of its obligations required under or specified in the Resolution, the Fiscal Agent Agreement or this Note Purchase Agreement to be performed at or prior to the Closing;

(C) To the best knowledge of the County, based on reasonable inquiry, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, is pending or threatened against the County which has any of the effects described in Paragraph 6(D) hereof or contesting in any way the completeness or accuracy of the Official Statement;

(D) No order, decree or injunction of any court of competent jurisdiction, nor any order, ruling or regulation of the Securities and Exchange Commission, has been issued or made with the purpose or effect of prohibiting the issuance, offering or sale of the Notes as contemplated hereby and no legislation has been enacted, or a bill favorably reported for adoption, or a decision by any court rendered, or a ruling, regulation, proposed regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter has been made or issued, to the effect that the Notes or any other securities of the County or of any similar body of the type contemplated herein are not exempt from the registration, qualification or other requirements of the Securities Act and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect; and

(E) At or prior to the Closing, the Underwriters shall have received a copy of the following documents in each case dated at and as of the Closing and satisfactory in form and substance to the Underwriters:

(1) An approving opinion of Note Counsel as to the Notes in the form attached to the Official Statement as APPENDIX C, addressed to the County and upon which the Underwriters may rely;

(2) A supplemental opinion of Note Counsel, addressed to the Underwriters, to the effect that:

(i) the Note Purchase Agreement has been duly executed and delivered by the County and is a valid and binding agreement of the County, except as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or 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 limitations on legal remedies against counties in the State and except that no opinion need be expressed with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability;

(ii) the statements contained in the Official Statement in the sections thereof entitled "THE NOTES," "TAX MATTERS," and the Appendix containing the form of approving opinion, excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Resolution and the Notes and the form and content of the approving opinion, are accurate in all material respects;

(iii) the Notes are not subject to the registration requirements of Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(iv) the Underwriters may rely on the approving opinion of Note Counsel.

(3) The negative assurance letter, dated the date of the Closing and addressed to the County and the Underwriters, of Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the County, to the effect that based upon their participation in the preparation of the Official Statement as Disclosure Counsel to the County and without having undertaken to determine independently the accuracy or completeness of the contents in the Official Statement, such counsel has no reason to believe that the Official Statement, as of its date and as of the Closing Date (except for the financial statements, projections and the other financial and statistical data included therein and the information included therein relating to The Depository Trust Company and the book-entry system (as such terms are defined in the Official Statement), and in Appendices B and C thereto as to all of which no opinion or belief need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;



that: (4) The certificate of the County, dated the Closing Date to the effect

(i) the County is a political subdivision duly organized and existing under the Constitution of the laws of the State;

(ii) the Resolution was duly adopted at a meeting of the Board of Supervisors which was called and held pursuant to law with all public notice required by law and at which a quorum was present and acting throughout, and the Resolution is in full force and effect and has not been amended, modified or rescinded;

(iii) the adoption of the Resolution and the execution and delivery of the Notes and the Documents and compliance with the provisions hereof and thereof, under the circumstances contemplated thereby and hereby, do not conflict with or constitute on the part of the County a material breach of or material default under any agreement or other instrument applicable or binding upon the County or any of its properties or any existing law, regulation, court order or consent decree to which the County or any of its properties is subject;

(iv) the County has full right and lawful authority to deliver the Official Statement, to execute and deliver the Notes, and to execute and deliver the Documents, to adopt the Resolution and the County has duly authorized, executed and delivered the Official Statement and the Documents;

(v) Except as otherwise disclosed in the Official Statement, to the best knowledge of the County, based on reasonable inquiry, there is no action, suit or proceeding, inquiry or investigation before or by any State court, public board or body, other than as disclosed in the Official Statement pending or, to the knowledge of the County, threatened against or affecting the County, (a) contesting in any way the completeness or accuracy of the Official Statement, or wherein an unfavorable decision, ruling or finding is likely to have a material adverse effect on the financial condition of the County, the transactions contemplated by the Documents, the Resolution or by the Official Statement, or (b) which will adversely affect the validity or enforceability of, or the authority or ability of the County to perform its obligations under the Notes, the Documents, the Resolution, or any other agreement or instrument to which the County is a party and which is used or contemplated for use in consummation of the transactions contemplated by the Documents, the Resolution or the Official Statement; and

(vi) The representations and warranties of the County herein are true and correct in all material respects as of the date made and as of the date of the Closing, and the County has performed all its obligations

required under or specified in the Resolution and the Documents to be performed at or prior to the Closing; and

(vii) Such official has reviewed the Official Statement and on such basis certifies that, to the best of his knowledge after reasonable inquiry, the Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(5) A certificate of the Clerk of the Board of Supervisors of the County, together with a fully executed copy of the Resolution, to the effect that:

(i) such copy is a true and correct copy of the Resolution; and

(ii) the Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect at and as of the Closing, except for amendments, if any, adopted with the consent of the Underwriters;

(6) An opinion, dated the date of the Closing addressed to the Underwriters, of County Counsel, in such form as may be acceptable to the Underwriters, to the effect that

(i) The County of Riverside is a political subdivision duly organized and validly existing under and by virtue of the Constitution and laws of the State of California.

(ii) Resolution of the County authorizing the issuance of the Notes and the execution and delivery of the Documents at a meeting of the Board of Supervisors which was called and held pursuant to law, with all public notice required by law, and at which a quorum was present and acting throughout and the Resolution is in full force and effect and has not been amended, modified or rescinded.

(iii) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or, to the best of our knowledge, threatened against or affecting the County in which an unfavorable decision, ruling or finding would materially adversely affect the participation of the County in, or consummation of, the transactions contemplated by the Official Statement, the Notes, the Fiscal Agent Agreement, the Note Purchase Agreement or the Resolution, or in any way contesting the existence of the County or its powers with respect thereto, nor, to the best of our knowledge, is there any basis for any such action, suit, proceeding or investigation.

(iv) The County has full right and lawful authority to adopt the Resolution and to execute and deliver the Notes, the Fiscal Agent Agreement, the Note Purchase Agreement and the Official Statement, such documents have been duly authorized, executed and delivered on behalf of the County, and the Fiscal Agent Agreement, the Note Purchase Agreement and the Resolution constitute the legal, valid and binding obligations of the County enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or limiting creditors' rights generally, by the principles of equity if equitable remedies are sought, by the exercise of judicial discretion and by the limitations on remedies against counties in the State of California.

(v) To the best of our knowledge, the adoption of the Resolution and the execution and delivery of the Notes, the Fiscal Agent Agreement, the Purchase Agreement and the Official statement and compliance by the County with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument applicable to or binding upon the County or any existing law, regulation, court order of consent decree to which the County is subject.

(vi) To the best of our knowledge, the information concerning the County contained in the Official Statement (excluding information regarding DTC and all financial or statistical information as to which no opinion is expressed) is correct in all material respects and does not contain any untrue or misleading statement of a material fact or omit a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(7) An non-arbitrage certification related to the 2013 Series D Notes from the County in form and substance satisfactory to Note Counsel, signed by an official of the County;

(8) An incumbency certificate of the Fiscal Agent and a certificate of an authorized officer of the Fiscal Agent, dated the date of Closing in form and substance satisfactory to the Underwriters, to the effect that:

(i) the Fiscal Agent is a duly organized and validly existing national banking association under the laws of the United States of America, having full right, power and authority to enter into the Fiscal Agent Agreement;

(ii) the Fiscal Agent Agreement has been duly authorized, executed and delivered by the Fiscal Agent and (assuming the due authorization, execution and delivery thereof by the County) constitutes the valid and binding obligation of the Fiscal Agent, enforceable in accordance with its terms, except to the extent that enforceability may be limited by principles of equity or by bankruptcy, moratorium, reorganization or other laws applicable to creditors' rights generally; and

(iii) the execution and delivery by the Fiscal Agent of the Fiscal Agent Agreement, and the performance by the Fiscal Agent of the terms thereof, do not violate any provision of the Fiscal Agent's Articles of Association or Bylaws or, to the best of such officer's knowledge after due inquiry, any existing law, regulation or ruling; nor, to the best of such officer's knowledge after like inquiry, are the Indentures in violation of, nor do they cause a default under, any agreement or instrument to which the Trustee is a party.

(9) Evidence from Moody's Investors Service Inc. and Fitch Ratings that the Notes have been rated "\_\_\_\_\_" and "\_\_\_\_\_" respectively, and that such ratings continue in effect as of the Closing;

(10) Certified copies of the Resolution and one executed original of each of the documents and such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriters or Note Counsel may reasonably request in order to evidence compliance by the County with legal requirements, the truth and accuracy, at and as of the Closing, of the representations, warranties and agreements of the County herein contained and the statements contained in the Official Statement, and the due performance and satisfaction by the County at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the County;

(11) An opinion, dated the date of the Closing addressed to the Underwriters, of Hawkins Delafield & Wood LLP, counsel to the Underwriters, in such form as may be acceptable to the Underwriters; and

(12) Such additional certificates, instruments and other documents as the Underwriters may reasonably deem necessary.

8. Termination of Obligations of Underwriters. If the County shall be unable to satisfy the conditions set forth in Section 7 to the obligations of the Underwriters contained in this Note Purchase Agreement, the obligations of the Underwriters under this Note Purchase Agreement may be terminated by the Underwriters by notice to the County at, or at any time prior to, the Closing. Notwithstanding any provision herein to the contrary, the performance of any and all conditions contained herein for the benefit of the Underwriters may be waived by the Underwriters in writing in its sole discretion.

The Underwriters shall also have the right to terminate, in its sole discretion, its obligations under this Note Purchase Agreement, by notice to the County at, or at any time prior to the Closing, if between the date hereof and the Closing:

(i) an event shall occur which makes untrue or incorrect in any material respect, as of the time of such event, any statement or information contained in the Official Statement or which is not reflected in the Official Statement but should be reflected therein in order to make the statements contained therein not misleading in any material respect and requires an amendment of or supplement to the Official Statement and the effect of which, in the judgment of the Underwriters, would materially adversely affect the market for the Notes or the sale, at the contemplated offering prices (or yields), by the Underwriters of the Notes; or

(ii) legislation shall be introduced in, enacted by, reported out of committee, or recommended for passage by State of California, either House of the Congress, or recommended to the Congress or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation is proposed for consideration by either such committee by any member thereof or presented as an option for consideration by either such committee by the staff or such committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or a bill to amend the Code (which, if enacted, would be effective as of a date prior to the Closing) shall be filed in either House, or a decision by a court of competent jurisdiction shall be rendered, or a regulation or filing shall be issued or proposed by or on behalf of the Department of the Treasury or the Internal Revenue Service of the United States, or other agency of the federal government, or a release or official statement shall be issued by the President, the Department of the Treasury or the Internal Revenue Service of the United States, in any such case with respect to or affecting (directly or indirectly) the taxation of interest received on obligations of the general character of the Notes which, in the opinion of the Underwriters, materially adversely affects the market for the Notes or the sale, at the contemplated offering prices (or yields), by the Underwriters of the Notes; or

(iii) there shall have occurred a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental agency having jurisdiction or any national securities exchange shall have: (i) imposed additional material restrictions not in force as of the date hereof with respect to trading in securities generally, or to the Notes or similar obligations; or (ii) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers such as to make it, in the judgment of the Underwriters, impractical or inadvisable to proceed with the offering of the Notes as contemplated in the Official Statement; or

(iv) the commencement of any action, suit or proceeding described in Paragraph 6(d) hereof which, in the judgment of the Underwriters, materially adversely affects the market price of the Notes; or

(v) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering, sale or distribution of obligations of the general character of the Notes is in violation or would be in violation of any provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended or the Trust Indenture Act of 1939, as amended; or

(vi) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Notes, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended (the "Securities Act"), or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Notes, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect; or

(vii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national or international emergency or war or other calamity or crisis the effect of which on financial markets is such as to make it, in the reasonable judgment of the Underwriters, impractical or inadvisable to proceed with the offering of the Notes as contemplated in the Official Statement; or

(viii) a general banking moratorium shall have been declared by federal or New York or California state authorities or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred such as to make it, in the judgment of the Underwriters, impractical or inadvisable to proceed with the offering of the Notes as contemplated in the Official Statement; or

(ix) any rating of the Notes or other obligations of the County by a national rating agency shall have been withdrawn or downgraded, or there shall have been any official statement as to a possible downgrading (such as being placed on "credit watch" or "negative outlook" or any similar qualification) by a national rating agency of any obligations issued by the County, including the Notes.

9. Conditions to Obligations of the County. The performance by the County of its obligations under this Note Purchase Agreement with respect to issuance, sale and delivery of the Notes to the Underwriters is conditioned upon (i) the performance by the Underwriters of its obligations hereunder; and (ii) receipt by the County and the Underwriters of opinions and certificates being delivered at or prior to the Closing by persons and entities other than the County.

10. Expenses. (A) The Underwriters shall be under no obligation to pay, and the County shall pay from its available funds or from the proceeds of the Notes, the following

expenses: (i) all expenses in connection with the preparation, distribution and delivery of the Preliminary Official Statement, the Official Statement, and any amendment or supplement thereto, and this Note Purchase Agreement; (ii) all expenses in connection with the printing, issuance and delivery of the Notes; (iii) the fees and disbursements of Note Counsel and Disclosure Counsel; (iv) the fees and disbursements of counsel and consultants, including the County's financial advisor, in connection with the Notes; (v) the disbursements of the County in connection with the Notes; (vi) the fees and disbursements of the Fiscal Agent; (vii) any and all fees incurred in connection with obtaining a rating on the Notes or in obtaining any form of credit enhancement; and (viii) all expenses in connection with the preparation, execution and delivery of the Resolution and the Notes. The County will also pay for expenses incurred on behalf of the County's employees (including, but not limited to, meals, transportation, lodging and entertainment) which are incidental to implementing this Note Purchase Agreement.

(B) The Underwriters shall bear all of their own expenses and fees incident to the purchase and resale of the Notes (including their counsel) and costs of qualifying the Notes for sale under the Blue Sky laws of any state.

11. Notices. Any notice or other communication to be given under this Note Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) shall be given by telephone, confirmed in writing, or by delivering the same in writing, if to the County, to the address first written above, attention: County Executive Officer, or if to the Underwriters, to Wells Fargo Bank, N.A., 707 Wilshire Blvd., 17<sup>th</sup> Floor, Los Angeles, CA 90017, Attention: Julia Kim.

12. Parties in Interest: Survival of Representations and Warranties. This Note Purchase Agreement when accepted by the County in writing as specified herein shall constitute the entire agreement between the County and the Underwriters and is made solely for the benefit of the County and the Underwriters (including their respective successors and assigns). No other person shall acquire or have any right hereunder or by virtue hereof. The obligations of the County arising out of its representations and warranties in this Note Purchase Agreement shall not be affected by any investigation made by or on behalf of the Underwriters.

13. Execution in Counterparts. This Note Purchase Agreement may be executed in counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

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14. Applicable Law. This Note Purchase Agreement shall be interpreted under, governed by and enforced in accordance with the laws of the State of California.

Very truly yours,

WELLS FARGO BANK, N.A., as Representative  
of the Underwriters

By \_\_\_\_\_  
Authorized Representative

The foregoing is hereby agreed to  
and accepted as of the date first above written:

COUNTY OF RIVERSIDE

By \_\_\_\_\_  
Deputy County Executive Officer

Time of Execution: \_\_\_\_\_



**EXHIBIT A**

**TERMS AND PRICING SCHEDULE**

**2013 Series D Notes**

<u>Par Value</u>	<u>Original Issue Premium</u>	<u>Underwriter's Discount</u>	<u>Purchase Price</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Interest Payment Date</u>	<u>Coupon</u>	<u>Yield</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Ratings</u>
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**2013 Series E Notes**

<u>Par Value</u>	<u>Original Issue Premium</u>	<u>Underwriter's Discount</u>	<u>Purchase Price</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Interest Payment Date</u>	<u>Coupon</u>	<u>Yield</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Ratings</u>
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**SOURCES AND USES OF FUNDS**

**County of Riverside  
2013 Teeter Obligation Notes  
Not-to-Exceed**

Dated Date                      10/16/2013  
Delivery Date                10/16/2013

Sources:	2013 Taxable Teeter Notes	2013 Tax-Exempt Teeter Notes	Total
Bond Proceeds:			
Par Amount	1,635,000.00	118,365,000.00	120,000,000.00
Premium		1,761,271.20	1,761,271.20
	1,635,000.00	120,126,271.20	121,761,271.20

Uses:	2013 Taxable Teeter Notes	2013 Tax-Exempt Teeter Notes	Total
Project Fund Deposits:			
Teeter Note Proceeds	1,630,912.50	119,830,358.70	121,461,271.20
Delivery Date Expenses:			
Cost of Issuance	3,270.00	236,730.00	240,000.00
Underwriter's Discount	817.50	59,182.50	60,000.00
	4,087.50	295,912.50	300,000.00
	1,635,000.00	120,126,271.20	121,761,271.20

# BOND SUMMARY STATISTICS

## County of Riverside 2013 Taxable Teeter Notes Not-to-Exceed

Dated Date	10/16/2013
Delivery Date	10/16/2013
Last Maturity	10/15/2014
Arbitrage Yield	0.502462%
True Interest Cost (TIC)	0.749119%
Net Interest Cost (NIC)	0.750139%
All-In TIC	0.950832%
Average Coupon	0.700000%
Average Life (years)	0.997
Duration of Issue (years)	0.997
Par Amount	1,635,000.00
Bond Proceeds	1,635,000.00
Total Interest	11,413.21
Net Interest	12,230.71
Total Debt Service	1,646,413.21
Maximum Annual Debt Service	1,646,413.21
Average Annual Debt Service	1,650,999.32
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	0.500000
Total Underwriter's Discount	0.500000
Bid Price	99.950000

Bond Component	Par Value	Price	Average Coupon	Average Life
Taxable Teeter Notes	1,635,000.00	100.000	0.700%	0.997
	1,635,000.00			0.997

	TIC	All-In TIC	Arbitrage Yield
Par Value	1,635,000.00	1,635,000.00	1,635,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	-817.50	-817.50	
- Cost of Issuance Expense		-3,270.00	
- Other Amounts			
Target Value	1,634,182.50	1,630,912.50	1,635,000.00
Target Date	10/16/2013	10/16/2013	10/16/2013
Yield	0.749119%	0.950832%	0.502462%

# BOND SUMMARY STATISTICS

## County of Riverside 2013 Tax-Exempt Teeter Notes Not-to-Exceed

Dated Date	10/16/2013
Delivery Date	10/16/2013
Last Maturity	10/15/2014
Arbitrage Yield	0.502462%
True Interest Cost (TIC)	0.549334%
Net Interest Cost (NIC)	0.557994%
All-In TIC	0.747885%
Average Coupon	2.000000%
Average Life (years)	0.997
Duration of Issue (years)	0.997
Par Amount	118,365,000.00
Bond Proceeds	120,126,271.20
Total Interest	2,360,724.17
Net Interest	658,635.47
Total Debt Service	120,725,724.17
Maximum Annual Debt Service	120,725,724.17
Average Annual Debt Service	121,062,007.52
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	0.500000
Total Underwriter's Discount	0.500000
Bid Price	101.438000

Bond Component	Par Value	Price	Average Coupon	Average Life
Tax-Exempt Teeter Notes	118,365,000.00	101.488	2.000%	0.997
	118,365,000.00			0.997

	TIC	All-In TIC	Arbitrage Yield
Par Value	118,365,000.00	118,365,000.00	118,365,000.00
+ Accrued Interest			
+ Premium (Discount)	1,761,271.20	1,761,271.20	1,761,271.20
- Underwriter's Discount	-59,182.50	-59,182.50	
- Cost of Issuance Expense		-236,730.00	
- Other Amounts			
Target Value	120,067,088.70	119,830,358.70	120,126,271.20
Target Date	10/16/2013	10/16/2013	10/16/2013
Yield	0.549334%	0.747885%	0.502462%

**BOND PRICING**

**County of Riverside  
2013 Teeter Obligation Notes  
Not-to-Exceed**

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Premium (-Discount)
2013 Taxable Teeter Notes, Taxable Teeter Notes:	10/15/2014	1,635,000	0.700%	0.700%	100.000	
2013 Tax-Exempt Teeter Notes, Tax-Exempt Teeter Notes:	10/15/2014	118,365,000	2.000%	0.500%	101.488	1,761,271.20
		120,000,000				1,761,271.20

Dated Date	10/16/2013	
Delivery Date	10/16/2013	
First Coupon	10/15/2014	
Par Amount	120,000,000.00	
Premium	1,761,271.20	
Production	121,761,271.20	101.467726%
Underwriter's Discount	-60,000.00	-0.050000%
Purchase Price	121,701,271.20	101.417726%
Accrued Interest		
Net Proceeds	121,701,271.20	

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**BOND DEBT SERVICE**

**County of Riverside  
2013 Taxable Teeter Notes  
Not-to-Exceed**

Dated Date 10/16/2013  
Delivery Date 10/16/2013

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10/15/2014	1,635,000	0.700%	11,413.21	1,646,413.21	1,646,413.21
	1,635,000		11,413.21	1,646,413.21	1,646,413.21

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BOND DEBT SERVICE

County of Riverside  
2013 Tax-Exempt Teeter Notes  
Not-to-Exceed

Dated Date 10/16/2013  
Delivery Date 10/16/2013

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10/15/2014	118,365,000	2.000%	2,360,724.17	120,725,724.17	120,725,724.17
	118,365,000		2,360,724.17	120,725,724.17	120,725,724.17