FORM APPROVED COUNTY COUNSEL 5/9/16
BY: GREGORY P. PRIAMOS DATE

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

625

FROM: Executive Office

SUBMITTAL DATE:
May 05, 2016

SUBJECT: Fiscal Year 2016-2017 Tax and Revenue Anticipation Notes. [$2,430,556 interest]; 100% County General Fund (Vote on Separately)

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve and adopt Resolution 2016-129 authorizing and approving the borrowing of funds for fiscal year 2016-2017 and the issuance and sale of the Fiscal Year 2016-2017 Tax and Revenue Anticipation Notes.

BACKGROUND:

Summary

The County annually issues Tax and Revenue Anticipation Notes (TRANs) to provide needed cash to cover the projected cash flow deficits of the County General Fund during the fiscal year. The deficit occurs because the timing of tax collections does not match the County's on-going expenditure requirements.

The County staff recommends again issuing the Fiscal Year 2016-2017 TRANs as a standalone issuer without joining the CSAC pool. In addition, as a cost saving measure, the County annually evaluates the option of prepaying its pension obligation. Board Policy B-25 (Pension Management Policy) directs the Pension Advisory Review Committee (PARC) to review and make a recommendation regarding the prepayment of the annual CalPERS contribution.

Departmental Concurrence

(Continued)

Stephanie Persi
Principal Management Analyst

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	$ 2,430,556	$	$ 2,430,556	$	Consent ☐ Policy ☒
NET COUNTY COST	$ 2,430,556	$	$ 2,430,556	$	

SOURCE OF FUNDS: 100% General Fund

Budget Adjustment: No

For Fiscal Year: 2016-17

C.E.O. RECOMMENDATION: APPROVE

BY: Ivan M. Chand

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes:	Jeffries, Tavaglione, Washington, Benoit and Ashley
Nays:	None
Absent:	None
Date:	May 17, 2016
xc:	E.O.

Kecia Harper-Ihem
Clerk of the Board
By: Deputy

☐ Positions Added ☐ Change Order ☐ A-30 ☐ 4/5 Vote

Prev. Agn. Ref.: 5/19/15 **District:** ALL **Agenda Number:**

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BACKGROUND:
Summary (continued)
PARC recommended the prepayment of the CALPERS contribution for the last 10 years and recommends the prepayment of the FY16-17 payment. The maximum contribution is $164 million. The FY 16-17 prepayment amount will be determined based on available funds. In FY 15-16, the prepayment amount was $86 million. The cash flow benefit will continue to be evaluated up to the pricing of the TRANs. If at the time of the pricing, there is insufficient savings, the prepayment will be removed from the TRANs entirely.

The County's issuance cost for the TRANs will not exceed $1.20/$1,000 of issuance. It is anticipated that interest rates for the tax-exempt notes will be approximately 0.65% for a 12-month note.

This year's recommendation is to offer a single 12-month note. This will allow for greater investment potential. The need to combine internal borrowing (borrowing from reserves) with external borrowing (TRANs Note) will continue to be evaluated until the day of issuance of the TRANs, and will be dictated by a detailed cost/benefit analysis.

The FY 2016-17 resolution authorizes the issuance of tax and revenue anticipation notes in an amount not-to-exceed $350,000,000, though the actual amount could be less. The authorization provides the flexibility to issue an additional series of notes in the event the County and State budgets change substantially. The resolution also appoints the law firm of Orrick, Herrington & Sutcliffe as bond counsel to the County and Kutak Rock LLP as disclosure counsel.

The Debt Advisory Committee has recommended the FY 2016-17 TRANs for approval.

Impact on Citizens and Businesses
The borrowing will allow the County to run its daily business until tax revenues are received. This allows the County to provide continued services to the citizens and businesses.

COUNTY OF RIVERSIDE

RESOLUTION NO. 2016-129

RESOLUTION AUTHORIZING AND APPROVING THE BORROWING OF FUNDS FOR FISCAL YEAR 2016-2017; THE ISSUANCE AND SALE OF A 2016 TAX AND REVENUE ANTICIPATION NOTE; AND THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS

WHEREAS, the County of Riverside (the "County") is authorized by Section 53850 to 53858, both inclusive, of the Government Code of the State of California (the "Act") (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the Government Code) to borrow money by the issuance of temporary notes;

WHEREAS, the Board of Supervisors of the County (the "Board") has determined that a sum (the "Principal Amount") not to exceed a maximum principal amount of $350,000,000, is needed for the requirements of the County, to satisfy obligations of the County, and that it is necessary that said Principal Amount be borrowed for such purpose at this time by the issuance of a note or notes therefore in anticipation of the receipt of taxes, income, revenue, cash receipts and other moneys to be received or accrued by the County for the general fund of the County, and provided for or attributable to its fiscal year ending June 30, 2017 ("Repayment Fiscal Year");

WHEREAS, the County hereby determines to borrow, for the purposes set forth above, the Principal Amount by the issuance of the Note, as hereinafter defined;

WHEREAS, it appears, and this Board hereby finds and determines, that the Principal Amount, when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys of the County provided for or attributable to the Repayment Fiscal Year, and available for the payment of the principal of the Note and the interest thereon;

WHEREAS, no money has heretofore been borrowed by or on behalf of the County through the issuance of tax and revenue anticipation notes or temporary notes in anticipation of the receipt of, or payable from or secured by, taxes, income, revenue, cash receipts or other moneys for the Repayment Fiscal Year;

WHEREAS, pursuant to Section 53856 of the Act, certain moneys which will be received or accrued by the County and provided for or attributable to the Repayment Fiscal Year can be pledged for the payment of the principal of the Note and the interest thereon (as hereinafter provided);

WHEREAS, The Bank of New York Mellon Trust Company, N.A. has agreed to act as paying agent (the "Paying Agent") with respect to the Note;

WHEREAS, the Underwriter appointed in Section 21 hereof, intends to submit an offer to purchase the Note and has submitted a form of Note Purchase Agreement (the "Purchase

FORM APPROVED COUNTY COUNSEL
BY: DALE A. GARDNER 5/9/16 DATE

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Agreement") to the Board;

WHEREAS, a form of the Preliminary Official Statement describing the Note will be distributed to potential purchasers of the Note by the Underwriter;

WHEREAS, this Board has been presented with the form of each document hereinafter referred to relating to the Note, and the Board has examined and approved each document and desires to authorize and direct the execution of such documents and the issuance of the Note;

WHEREAS, the County has determined that it may be desirable to provide for the issuance of an additional parity note (the "Parity Note") during the Repayment Fiscal Year, the principal and interest on which are secured by Pledged Revenues, hereinafter defined, on a parity with the Note; and

NOW, THEREFORE, this Board hereby finds, determines, declares and resolves as follows:

Section 1. <u>Recitals</u>. All the above recitals are true and correct.

Section 2. <u>Authorization of Issuance</u>. This Board hereby determines to borrow solely for the purpose of anticipating taxes, income, revenue, cash receipts and other moneys to be received or accrued by the County for the general fund of the County and provided for or attributable to the Repayment Fiscal Year, by the issuance of a note or notes, pursuant to the provisions of the Act, designated the County's "2016 Tax and Revenue Anticipation Note," with an appropriate series designation if more than one note is issued (collectively, the "Note"), to be issued in the form of a fully registered note or notes, in denominations of $5,000 or integral multiples thereof, in a combined amount not to exceed the Principal Amount, to be dated the date of delivery to the initial purchaser thereof, to mature on a date or dates, if more than one note is issued, with or without option of prior redemption at the election of the County, not more than 15 months thereafter on a date indicated on the face thereof and determined in the Purchase Agreement (each such date, a "Maturity Date"), and to bear interest, payable on its Maturity Date (and if the Maturity Date is more than 12 months from the date of issuance, payable on the interim interest payment date set forth in the Purchase Agreement) and computed upon the basis of a 360-day year consisting of twelve 30-day months, or a 365- or 366-day year, as the case may be, and actual days elapsed, at a rate or rates, if more than one Note is issued, not to exceed 12% per annum as determined in the Purchase Agreement and indicated on the face of the Note (the "Note Rate"). If the Note is not fully paid at maturity, the unpaid portion thereof shall be deemed outstanding and shall continue to bear interest thereafter until paid. In each case set forth in the preceding two sentences, the obligation of the County with respect to such unpaid Note shall not be a debt or liability of the County prohibited by Article XVI, Section 18 of the California Constitution, and the County shall not be liable thereon except to the extent of any available revenues provided for or attributable to the Repayment Fiscal Year, as provided in Section 7 hereof. Both the principal of and interest on the Note shall be payable in lawful money of the United States of America.

Section 3. <u>Form of Note</u>. The Note shall be issued in fully registered form without coupons and shall be substantially in the form and substance set forth in <u>Exhibit A</u>, as attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures as determined at closing.

Section 4. **Sale of Note; Purchase Agreement; Continuing Disclosure.** The form of the Purchase Agreement presented to this meeting is hereby approved. The County Executive Officer, or in the absence of such officer, his or her assistant, the County Treasurer-Tax Collector, or in the absence of such officer, his or her assistant, and the Auditor-Controller, or in the absence of such officer, his or her assistant (each a "County Officer") are each hereby individually authorized and directed to execute and deliver such Purchase Agreement in substantially said form, with such changes thereto as such County Officer shall approve, such approval to be conclusively evidenced by his or her execution and delivery thereof; *provided, however*, that the interest rate on the Note shall not exceed 12% per annum, and that the Underwriter's discount on the Note shall not exceed 0.05% of the Principal Amount actually issued. Delivery of an executed copy of the Purchase Agreement by fax or telecopy shall be deemed effective upon execution and delivery for all purposes.

The form of instrument, entitled "Continuing Disclosure Certificate," to be dated as of its date of execution, in substantially the form presented to this meeting, is hereby approved. Any County Officer is authorized and directed to execute and deliver on behalf of the County an instrument in substantially said form, with such changes therein as such officer executing such instrument may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. **Official Statement.** The proposed form of preliminary official statement (the "Preliminary Official Statement") relating to the Note, in substantially the form presented to this meeting, is hereby approved with such changes, additions, completion and corrections as any County Officer may approve, and the Underwriter is hereby authorized and directed to cause to be distributed to prospective bidders the Preliminary Official Statement in connection with the offering and sale of the Note. Such Preliminary Official Statement, together with any supplements thereto, shall be in form "deemed final" by the County for purposes of Rule 15c2-12, promulgated by the Securities and Exchange Commission (the "Rule"), unless otherwise exempt, but is subject to revision, amendment and completion in a final official statement (the "Official Statement"). The Official Statement in substantially said form is hereby authorized and approved, with such changes therein as any County Officer may approve. The County Officer is hereby authorized and directed, at or after the time of the sale of the Note, for and in the name and on behalf of the County, to execute a final Official Statement in substantially the form of the Preliminary Official Statement presented to this meeting, with such additions thereto or changes therein as the County Officer may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Any one of the County Officers is hereby authorized and directed to provide the Financial Advisor or the Underwriter with such information relating to the County as they shall reasonably request for inclusion in the Preliminary Official Statement and Official Statement of the County. Upon inclusion of the information relating to the County therein, the Preliminary Official Statement is, except for certain omissions permitted by the Rule, hereby deemed final within the meaning of the Rule. If, at any time prior to the end of the underwriting period, as defined in the Rule, any event occurs as a result of which the information contained in the Preliminary Official Statement might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the County shall promptly notify the Underwriter and the Financial Advisor.

Section 6. Disposition of Proceeds of Note; Investment. The moneys received from the sale of the Note shall be deposited in the County's "2016 Note Proceeds Account" (herein called the "Proceeds Account") which Proceeds Account is hereby established and maintained with the County Treasurer-Tax Collector. The moneys received from the sale of the Note deposited in the County's Proceeds Account may be used and expended by the County for any purpose for which it is authorized to expend funds.

All moneys in the Proceeds Account shall be invested in Permitted Investments (as hereinafter defined), and the proceeds of such investments shall be retained in the Proceeds Account.

"Permitted Investments" means any of the following to the extent then permitted by law:

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Obligations of instrumentalities or agencies of the United States of America. These are specifically limited to:

-- Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Debt Obligations
-- Federal Home Loan Banks (FHL Banks)
Consolidated debt obligation
-- Federal National Mortgage Association (FNMA)
Debt obligations
Mortgage backed securities (Excluded are stripped mortgage securities-which are purchased at prices exceeding their principal amounts).

Book entry securities listed in 1 and 2 above must be held in a trust account with the Federal Reserve Bank or with a clearing corporation or chain of clearing corporations which has an account with the Federal Reserve Bank.

3. Federal Housing Administration debentures.

4. Commercial paper, payable in the United States of America, having original maturities of not more than 92 days and which are rated SP-1 by S&P and MIG-1 by Moody's.

5. Interest bearing demand or time deposits issued by state banks or trust companies, savings and loan associations, federal savings banks or any national banking associations, the deposits of which are insured by the Bank Insurance Fund (BIF) or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation (SAIF) or any successors thereto. These deposits: (a) must be continuously and fully insured by BIF or SAIF, or (b) must have maturities of less than 366 days and be deposited with banks the short term obligations of which are rated SP-1 by S&P and MIG-1 by Moody's.

6. Money market mutual funds or portfolios investing in short-term US Treasury securities rated AAAm or AAAm-G by S&P and Aaa by Moody's.

7. Investment agreements, funding agreements or guaranteed investment contracts approved by the Riverside County Treasurer-Tax Collector with a financial institution rated in one of the two highest rating categories by both Moody's and S&P without regard to plus, minus or numerical notation. Such agreement or contract must contain downgrade covenants providing that in the event of a rating downgrade of the provider below Aa3 by Moodys or AA- by S&P, the agreement or contract shall require the provider to notify the Riverside County Treasurer-Tax Collector in writing of such downgrade within five (5) business days of such downgrade event; thereafter, at the provider's option, the provider shall either (a) assign the agreement or contract and all of its obligations thereunder to a then qualified financial institution acceptable to the Riverside County Treasurer-Tax Collector, or (b) collateralize the agreement or contract with U.S. Treasury or Government Agency securities at 105% of principal and interest, marked-to-market weekly with a three (3) business day cure period for deficiencies. Such collateral must be held by an independent third party acting for the benefit of the County of Riverside and must be free and clear of any liens. A downgrade below A3 by Moodys or A- by S&P of the provider or any substituted provider pursuant to an assignment, shall allow for the immediate withdrawal of all monies then invested in the agreement or contract at no premium or penalty to the County of Riverside.

8. Repurchase agreements with financial institutions or banks insured by the FDIC or FSLIC, or any broker dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation (SIPC), or any other financial institutions, provided that: (a) the repurchase agreement is over-collateralization at one hundred two percent (102%), computed weekly, consisting of securities as described in clauses (1) and (2) above; (b) a third party custodian, the Trustee or the Federal Reserve Bank shall have possession of such obligations; (c) the Trustee shall have perfected a first priority security interest in such obligations; and (d) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral;

9. The Local Agency Investment Fund administered by the State of California.

10. Investment Trust of California, doing business as CalTRUST.

11. The Pooled Investment Fund maintained by the County Treasurer-Tax Collector.

Section 7. __Source of Payment; Parity Note__. The principal amount of the Note, together with the interest thereon, shall be payable from taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys which are accrued, received or held by the County for the general fund of the County and are provided for or attributable to the Repayment Fiscal Year and which are available for payment of current expenses and other obligations of the County ("Unrestricted Revenues"). As security for the payment of the principal of and interest on the Note, the County hereby pledges all Unrestricted Revenues (the "Pledged Revenues"), and the principal of the Note and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the moneys received by the County from such Pledged Revenues and, to the extent not so paid, shall be paid from any other taxes, income, revenue, cash receipts and other moneys of the County lawfully available therefor (all as provided for in Sections 53856 and 53857 of the Act). Anything herein to the contrary notwithstanding, Unrestricted Revenues pledged to the payment of the Note as Pledged Revenues shall not include any amounts heretofore pledged by the County to the payment of County of Riverside Teeter Plan obligations issued pursuant to Resolution No. 97-203, as such resolution may be amended and supplemented from time to time. The County may incur indebtedness secured by a pledge of its Pledged Revenues subordinate to the pledge of Pledged Revenues hereunder and may issue subordinate tax and revenue anticipation notes.

In order to effect the pledge referenced in the preceding paragraph, the County hereby agrees to the establishment and maintenance of a "2016 Note Payment Account" (herein called the "Payment Account") by the Paying Agent as the responsible agent to maintain such an account until the payment of the principal of the Note and the interest thereon, and the County further agrees to cause to be deposited in the Payment Account from amounts received in the months specified in the Purchase Agreement as Repayment Months (each individual month a "Repayment Month" and collectively "Repayment Months") (and any amounts received thereafter provided for or attributable to the Repayment Fiscal Year) until the amount on deposit in the Payment Account, is equal in the respective Repayment Months identified in the Purchase Agreement to the percentage of the principal and interest due on the Note specified in the

Purchase Agreement. Any such deposit may take into consideration anticipated investment earnings on amounts deposited in an Investment Agreement that is a Permitted Investment through the Maturity Date.

Any County Officer is hereby authorized to approve the determination of the Repayment Months and percentages of the principal and interest due on the Note required to be on deposit in the Payment Account in each Repayment Month, all as specified in the Purchase Agreement, by executing and delivering the Purchase Agreement, such execution and delivery to be conclusive evidence of approval by this Board and such County Officer. In the event on the day in each such Repayment Month that a deposit to the Payment Account is required to be made, the County has not received sufficient Unrestricted Revenues to permit the deposit into the Payment Account of the full amount of Pledged Revenues to be deposited in the Payment Account from said Unrestricted Revenues in said month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the County lawfully available for the payment of the principal of the Note and the interest thereon, as and when such other moneys are received or are otherwise legally available.

Any moneys placed in the Payment Account shall be for the benefit of the holders of the Note. The moneys in the Payment Account shall be applied only for the purposes for which the Payment Account is created until the principal of the Note and all interest thereon are paid or until provision has been made for such payment.

In the event that moneys in the Payment Account are insufficient to pay the principal of and interest on the Note in full when due, such moneys shall be applied in the following priority: first, to pay interest on the Note; and second, to pay principal of the Note. Any moneys remaining in or accruing to the Payment Account after the principal of the Note and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the general fund of the County.

Moneys in the Payment Account shall be invested in Permitted Investments and any such investment shall be for the account and risk of the County. The County shall not be deemed to be relieved of any of its obligations with respect to the Note by reason of such investment of the moneys in its Payment Account.

Anything herein to the contrary notwithstanding, the County may at any time during the Repayment Fiscal Year issue a Parity Note secured by a first lien and charge on Pledged Revenues on a parity with the Note; provided that (i) the issuance of any such Parity Note shall not, in and of itself, reduce or impair the rating on the Note, (ii) the maturity date of any such Parity Note shall be later than the outstanding Note and (iii) the Note and Parity Note shall have the same paying agent. In the event that the County issues a Parity Note, the County shall make appropriate deposits into the Payment Account with respect to such Parity Note, and in such event, the Payment Account shall also be held for the benefit of the holders of the Parity Note.

Section 8. Execution of Note. Any one of the County Officers or any other officer designated by the Board shall be authorized to execute the Note by manual or facsimile signature, and the Clerk of the Board of the County or any duly appointed deputy or assistant thereto shall be authorized to countersign the Note by manual or facsimile signature. Said officers of the County are hereby authorized to cause the blank spaces of the Note to be filled in as may be appropriate pursuant to the Purchase Agreement. In case any officer whose signature shall appear on any Note shall cease to be such officer before the delivery of such Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. The Note need not bear the seal of the County, if any.

Section 9. <u>Use of Depository; Registration, Exchange and Transfer.</u>

(A) The Depository Trust Company, New York, New York ("DTC"), is hereby appointed depository for the Note. DTC shall perform such function pursuant to the Blanket Issuer Letter of Representations on file with DTC (the "Letter of Representation"). The Note shall be initially issued and registered in the name of "Cede & Co.," as nominee of DTC and shall be evidenced by a single Note for each series. Registered ownership of each Note, or any portion thereof, may not thereafter be transferred except as set forth in Section 9(B).

(B) The Note shall be initially issued and registered as provided in Section 9(A) hereof. Registered ownership of the Note, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of Cede & Co., as nominee of DTC, 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 DTC 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 Officer, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the County Officer to substitute another depository for DTC (or its successor) because DTC (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 DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the County Officer to discontinue using DTC or a depository.

(C) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (B) of this Section 9, upon receipt of the outstanding Note of each series by the Paying Agent (together with a written request of the County Officer to the Paying Agent designating the Substitute Depository), a single new Note of each series, which the County shall prepare or cause to be prepared, shall be executed and delivered, authenticated by the Paying Agent, and 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 in the written request of the County Officer. In the case of any transfer pursuant to clause (iii) of Subsection (B) of this Section 9 upon receipt of the outstanding Note of a series by the Paying Agent (together with a written request of the County Officer to such Paying Agent), a new Note, which the County shall prepare or cause to be prepared, shall be executed by the County and authenticated by the Paying Agent and delivered in such denominations and registered in the names of such persons as specified by the County Officer in such written request, subject to the limitations of this Section 9, provided, that, the Paying Agent shall deliver such new Note as soon as practicable.

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

(E) Notwithstanding any other provision of this Resolution and so long as the outstanding Note is registered in the name of Cede & Co. or its registered assigns, the County and the Paying 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 Note 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 Paying 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 Note may, in accordance with its terms, be transferred or exchanged for a like aggregate principal amount in authorized denominations, upon the books required to be kept by the Paying 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 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 Paying Agent.

Whenever any Note shall be surrendered for transfer or exchange, the County shall execute and the Paying Agent shall authenticate and deliver a new Note of authorized denominations of the same series, for a like aggregate principal amount of the same interest rate. The Paying 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 Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Note of each series, which shall at all times be open to inspection by the County. Upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, the Note as hereinbefore provided.

(H) If any Note shall become mutilated, the County, at the expense of the owner of such Note, shall execute, and the Paying Agent shall thereupon authenticate and deliver a new Note of like series, tenor, interest rate and number in exchange and substitution for the Note so mutilated, but only upon surrender to the Paying Agent of the Note so mutilated. Every mutilated

Note so surrendered to the Paying Agent shall be cancelled by it and delivered to, or upon the order of, the County. If any Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the County and the Paying 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 Paying Agent shall thereupon authenticate, if required, and deliver a new Note of like series, interest rate, tenor and number in lieu of and in substitution for the Note so lost, destroyed or stolen (or if any such Note shall have matured or shall be about to mature, instead of issuing a substitute Note, the Paying Agent may pay the same without surrender thereof). The Paying Agent may require payment by the registered owner of a Note of a sum not exceeding the actual cost of preparing each new Note issued pursuant to this paragraph and of the expenses which may be incurred by the County and the Paying Agent. Any Note issued under these provisions in lieu of any 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 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 Resolution with the Note of any other series secured by this.

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

Section 10. Representations and Covenants of the County. The County makes the following representations and covenants for the benefit of the holder of the Note:

(A) The County is duly organized and existing under and by virtue of the laws of the State of California and has all necessary power and authority (i) to adopt this Resolution and perform its obligations thereunder, (ii) to enter into and perform its obligations under the Purchase Agreement, and (iii) to issue the Note and perform its obligations thereunder.

(B) Upon the issuance of the Note, the County shall have taken all action required to be taken by it to authorize the issuance and delivery of the Note and the performance of its obligations thereunder, and the County has full legal right, power and authority to issue and deliver the Note.

(C) The issuance of the Note, the adoption of the Resolution and the execution and delivery of the Purchase Agreement, and compliance with the provisions hereof and thereof will not conflict with or violate any law, administrative regulation, court decree, resolution, charter, by-laws or other agreement to which the County is subject or by which it is bound.

(D) Except as may be required under blue sky or other securities laws of any state or Section 3(a)(2) of the Securities Act of 1933, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the County required for the issuance and sale of the Note or the consummation by the

County of the other transactions contemplated by this Resolution, except those the County shall obtain or perform prior to or upon the issuance of the Note.

(E) Prior to the issuance of the Note, the County has duly, regularly and properly adopted a preliminary budget for the Repayment Fiscal Year setting forth expected revenues and expenditures and has complied with all statutory and regulatory requirements with respect to the adoption of such budget. The County hereby covenants that it shall (i) duly, regularly and properly prepare and adopt its final budget for the Repayment Fiscal Year, (ii) provide to the Financial Advisor and the Underwriter, promptly upon adoption, copies of such final budget and of any subsequent revisions, modifications or amendments thereto and (iii) comply with all applicable laws pertaining to its budget.

(F) The County (i) has not defaulted within the past twenty (20) years, and is not currently in default, on any debt obligation and (ii), to the best knowledge of the County, has never defaulted on any debt obligation.

(G) The County's most recent audited financial statements present fairly the financial condition of the County as of the date thereof and the results of operation for the period covered thereby. Except as has been disclosed to the Financial Advisor and the Underwriter and in the Preliminary Official Statement and to be set forth in the final Official Statement, there has been no change in the financial condition of the County since the date of such audited financial statements that will in the reasonable opinion of the County materially impair its ability to perform its obligations under this Resolution and the Note. The County agrees to furnish to the Financial Advisor and the Underwriter promptly, from time to time, such information regarding the operations, financial condition and property of the County as such party may reasonably request.

(H) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, arbitrator, governmental or other board, body or official, pending or, to the best knowledge of the County, threatened against or affecting the County questioning the validity of any proceeding taken or to be taken by the County in connection with the Note, the Purchase Agreement or this Resolution, or seeking to prohibit, restrain or enjoin the execution, delivery or performance by the County of any of the foregoing, or wherein an unfavorable decision, ruling or finding would have a materially adverse effect on the County's financial condition or results of operations or on the ability of the County to conduct its activities as presently conducted or as proposed or contemplated to be conducted, or would materially adversely affect the validity or enforceability of, or the authority or ability of the County to perform its obligations under, the Note, the Purchase Agreement or this Resolution.

(I) Upon issuance of the Note and execution of the Purchase Agreement, this Resolution, the Purchase Agreement and the Note will constitute legal, valid and binding agreements of the County, enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy or other laws affecting creditors' rights generally, the application of equitable principles if equitable remedies are sought, the exercise of judicial discretion in appropriate cases and the limitations on legal remedies against local agencies, as applicable, in the State of California.

(J) The County and its appropriate officials have duly taken, or will take, all proceedings necessary to be taken by them, if any, for the levy, receipt, collection and enforcement of the Pledged Revenues in accordance with law for carrying out the provisions of this Resolution and the Note.

(K) Except for Parity Notes, if any, permitted to be executed and delivered pursuant to Section 7 hereof, the County shall not incur any indebtedness secured by a pledge of its Pledged Revenues unless such pledge is subordinate in all respects to the pledge of Pledged Revenues hereunder.

(L) The information contained in the Official Statement (excluding the statements and information under the heading "UNDERWRITING" and under "THE NOTES—Book-Entry Only System"), as of the time of delivery thereof to the Underwriter and at all times subsequent thereto up to and including the closing, will be true, complete, correct and final in all material respects and will 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.

(M) The County hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate consistent with the requirements of the Rule.

Section 11. Tax Covenants. The County will not take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Note under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Without limiting the generality of the foregoing, the County will not make any use of the proceeds of the Note or any other funds of the County which would cause the Note to be an "arbitrage bond" within the meaning of Section 148 of the Code, a "private activity bond" within the meaning of Section 141(a) of the Code, or an obligation the interest on which is subject to federal income taxation because it is "federally guaranteed" as provided in Section 149(b) of the Code. The County, with respect to the proceeds of the Note, will comply with all requirements of such sections of the Code and all regulations of the United States Department of the Treasury issued or applicable thereunder to the extent that such requirements are, at the time, applicable and in effect.

The County hereby covenants that the County will take all legally permissible steps necessary to ensure that all of the gross proceeds of the Note will be expended no later than the day that is six months after the date of issuance of the Note so as to satisfy the requirements of Section 148(f)(4)(B) of the Code.

Notwithstanding any other provision of this Resolution to the contrary, upon the County's failure to observe, or refusal to comply with, the covenants contained in this Section 11, no one other than the holders or former holders of the Note, and their legal representatives, shall be entitled to exercise any right or remedy under this Resolution on the basis of the County's failure to observe, or refusal to comply with, such covenants.

The covenants contained in this Section 11 shall survive the payment of the Note.

Section 12. Events of Default and Remedies.

If any of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default":

(a) Failure by the County to make or cause to be made the transfers and deposits to the Payment Account, or any other payment required to be paid hereunder, including payment of principal and interest on the Note, on or before the date on which such transfer, deposit or other payment is due and payable;

(b) Failure by the County to observe and perform any covenant, condition or agreement (other than failure to make a payment or transfer as provided in subsection (a) of this Section) on its part to be observed or performed under this Resolution, for a period of fifteen (15) days after written notice, specifying such failure and requesting that it be remedied, is given to the County by the holders of not less than 10% in aggregate principal amount of the Note, unless such holders shall agree in writing to an extension of such time prior to its expiration;

(c) Any warranty, representation or other statement by or on behalf of the County contained in this Resolution or the Purchase Agreement or in any requisition or any financial report delivered by the County or in any instrument furnished in compliance with or in reference to this Resolution or the Purchase Agreement or in connection with the Note, is false or misleading in any material respect;

(d) A petition is filed against the County under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and is not dismissed within 30 days after such filing, but the holders of the Note shall have the right to intervene in the proceedings prior to the expiration of such 30 days to protect their interests;

(e) The County files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law; or

(f) The County admits insolvency or bankruptcy or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the County or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than 30 days, but the holders of the Note shall have the right to intervene in the proceedings prior to the expiration of such 30 days to protect their interests;

Whenever any Event of Default referred to in this Section 12 shall have happened and be continuing, the holders of the Note and any adversely affected former holders of the Note, and their legal representatives, shall, in addition to any other remedies provided herein, have the right, at their option without any further demand or notice, to take one or any combination of the following remedial steps:

(a) Without declaring the Note to be immediately due and payable, require the County to pay to the Paying Agent on behalf of the holders of the Note, an amount equal to the principal of the Note and interest thereon to maturity, plus all other amounts due hereunder, and upon notice to the County the same shall become immediately due and payable by the County without further notice or demand; and

(b) Take whatever other action at law or in equity (except for acceleration of payment on the Note) which may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

Section 13. Application of Amounts After Default. Notwithstanding anything to the contrary contained herein, after a default by the County, all funds and accounts held by the Paying Agent and all payments received by the Paying Agent with respect to the Note after an Event of Default by the County pursuant to Section 12 hereof, and all damages or other payments received by the Paying Agent for the enforcement of any rights and powers of the Paying Agent under Section 12, shall be deposited into the Payment Account and as soon as practicable thereafter applied to the payment of all amounts then due as interest on the Note and any Parity Note, and thereafter to the payment of all amounts due as principal on the Note and any Parity Note, ratably without preference or priority of any kind, according to the amounts due and payable with respect to such Note and Parity Note.

Section 14. Paying Agent. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as paying agent and registrar for the Note. The County hereby directs and authorizes the payment by the Paying Agent of the interest on and principal of the Note when such become due and payable, from the Payment Account held by the Paying Agent in the name of the County in the manner set forth herein. The County hereby covenants to deposit funds in such account at the time and in the amount specified herein to provide sufficient moneys to pay the principal of and interest on the Note on the day on which it matures. Payment of the Note shall be in accordance with the terms of the Note and this Resolution.

Section 15. Approval of Actions. All actions heretofore taken by the officers and agents of the County or this Board with respect to the sale and issuance of the Note are hereby approved, confirmed and ratified, and the County Officers and agents of the County are hereby authorized and directed, for and in the name and on behalf of the County, 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 delivery of the Note in accordance with, and related transactions contemplated by, this Resolution.

Section 16. Proceedings Constitute Contract. The provisions of the Note and of this Resolution shall constitute a contract between the County and the registered holders of the Note and such provisions shall be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction, and shall be irrepealable.

Section 17. Limited Liability. Notwithstanding anything to the contrary contained herein or in the Note or in any other document mentioned herein or related to the Note, the County shall not have any liability hereunder or by reason hereof or in connection with the transactions contemplated hereby except to the extent payable from moneys available therefor as set forth in Section 7 hereof.

Section 18. Amendments. At any time or from time to time, the County may adopt one or more Supplemental Resolutions without the necessity for consent of the owner of the Note for any one or more of the following purposes:

(a) to add to the covenants and agreements of the County in this Resolution, other covenants and agreements to be observed by the County which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(b) to add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the County which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(c) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of any monies, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;

(d) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(e) to amend or supplement this Resolution in any other respect;

provided, however, that any such Supplemental Resolution does not adversely affect the interests of the holders of the Note.

Any modifications or amendment of this Resolution and of the rights and obligations of the County and of the holders of the Note may be made by a Supplemental Resolution, with the written consent of the holders of at least a majority in principal amount of the Note outstanding at the time such consent is given; *provided, however,* that if such modification or amendment will, by its terms, not take effect so long as the Note remains outstanding, the consent of the holders of such Note shall not be required. No such modification or amendment shall permit a change in the maturity of the Note or a reduction of the principal amount thereof or an extension of the time of any payment thereon or a reduction of the rate of interest thereon, or a change in the date or amounts of the pledge set forth in this Resolution, without the consent of the holders of such Note, or shall reduce the percentage of the Note, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Paying Agent without its written assent thereto.

Section 19. Severability. In the event any provision of this Resolution shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 20. <u>Appointment of Bond Counsel and Disclosure Counsel</u>. The County approves and consents to the appointment of the law firm of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California as Bond Counsel for the Note. The County acknowledges that Bond Counsel regularly performs legal services for many private and public entities in connection with a wide variety of matters, and that Bond Counsel has represented, is representing or may in the future represent other public entities, underwriters, trustees, rating agencies, insurers, credit enhancement providers, lenders, financial and other consultants who may have a role or interest in the proposed financing or that may be involved with or adverse to County in this or some other matter. Given the special, limited role of Bond Counsel described above, the County acknowledges that no conflict of interest exists or would exist, waives any conflict of interest that might appear to exist, and consents to any and all such relationships.

The County approves and consents to the appointment of the law firm of Kutak Rock LLP, Los Angeles, California as Disclosure Counsel for the Note.

Section 21. <u>Appointment of Financial Advisor and Underwriter</u>. The County approves the appointment of Fieldman, Rolapp & Associates as financial advisor for the County for the Note (the "Financial Advisor") pursuant to its existing contract to provide financial advisory services for the County.

The County approves and consents to the appointment of Stifel, Nicolaus & Company, as senior manager, together with Bank of America Merrill Lynch, as co-manager, (collectively, the "Underwriter") for the Note.

Section 22. <u>Effective Date</u>. This Resolution shall take effect from and after its date of adoption.

ROLL CALL:

Ayes:	Jeffries, Tavaglione, Washington, Benoit and Ashley
Nays:	None
Absent:	None

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 [signature]

Deputy

EXHIBIT A

FORM OF NOTE

COUNTY OF RIVERSIDE

2016 TAX AND REVENUE ANTICIPATION NOTE, SERIES ___ */

Interest Rate	Maturity Date	Date of Original Issue
%		July __, 2016
First Repayment Month	**Second Repayment Month**	**Third Repayment Month**
__% (Total of principal and interest due on Note at maturity)	__% (Total of principal and interest due on Note at maturity)	__% (Total of principal and interest due on Note at maturity)**/

REGISTERED OWNER:

PRINCIPAL AMOUNT:

FOR VALUE RECEIVED, the County of Riverside (the "County") acknowledges itself indebted, and promises to pay, to the registered owner identified above, or registered assigns, on the maturity date set forth above, the principal sum specified above in lawful money of the United States of America, and to pay interest thereon on [__________, 201_ and on the Maturity Date], at the Interest Rate specified above (the "Note Rate"). Principal of and interest on this Note are payable in such coin or currency of the United States as at the time of payment is legal tender for payment of private and public debts, such principal to be paid upon surrender hereof at the office of The Bank of New York Mellon Trust company, N.A., or its successor (the "Paying Agent"). Interest shall be calculated on the basis of a 360-day year, consisting of twelve 30-day months, in like lawful money from the date hereof until the maturity date specified above and, if funds are not provided for payment at maturity, thereafter on the basis of a 360-day year for actual days elapsed until payment in full of said principal sum. Both the principal of and interest on this Note shall be payable only to the registered owner hereof upon surrender of this Note as the same shall fall due; *provided, however*, no interest shall be payable for any period after maturity during which the holder hereof fails to properly present this Note for payment.

It is hereby certified, recited and declared that this Note (the "Note") represents the authorized issue of the Note in the aggregate principal amount made, executed and given pursuant to and by authority of certain resolutions of the Board of Supervisors of the County duly passed and adopted heretofore, under and by authority of Article 7.6 (commencing with Section 53850)

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*/ If more than one Series is issued in the Repayment Fiscal Year.

**/ Number of Repayment Dates and percentages to be determined in Purchase Agreement (as defined in the Resolution).

of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (collectively, the "Resolution"), to all of the provisions and limitations of which the owner of this Note, by acceptance hereof, assents and agrees.

The principal of the Note, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received or accrued by the County for the general fund of the County and are provided for or attributable to the Repayment Fiscal Year, as defined in the Resolution, and which are available for payment thereof. As security for the payment of the principal of and interest on the Note, the County has pledged from Unrestricted Revenues of the County received in the Repayment Months (as defined in the Resolution) identified in the Purchase Agreement (as defined in the Resolution) (and any amounts received thereafter provided for or attributable to the Repayment Fiscal Year) until the amount on deposit in the Payment Account (as defined in the Resolution) in each such month, is equal to the corresponding percentages of principal of and interest due on the Note as set forth in the Purchase Agreement (such pledged amounts being hereinafter called the "Pledged Revenues"), and the principal of the Note and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the County lawfully available therefor as set forth in the Resolution. The full faith and credit of the County is not pledged to the payment of the principal or interest on this Note.

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

It is hereby certified that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and that the amount of this Note, together with all other indebtedness of the County, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

IN WITNESS WHEREOF, the Board of the County has caused this Note to be executed by the manual or facsimile signature of a duly authorized County Officer of the County and countersigned by the manual or facsimile signature of the Secretary or Clerk of the Board as of the date of original issue set forth above.

COUNTY OF RIVERSIDE

By: ______________________________
Title:

Countersigned

By: ______________________
Title: Clerk

$__________

COUNTY OF RIVERSIDE

2016 TAX AND REVENUE ANTICIPATION NOTE

NOTE PURCHASE AGREEMENT

_________, 2016

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

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the "Representative"), as representative of itself and Merrill Lynch, Pierce, Fenner & Smith Incorporated (collectively, the "Underwriters"), acting on its own behalf and not as fiduciary or agent of the County of Riverside (the "County"), offers to enter into this Note Purchase Agreement (the "Note Purchase Agreement") with 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 2016 Tax and Revenue Anticipation Note (the "Notes") in the aggregate principal amount of $__________. The aggregate purchase price to be paid by the Underwriters for the Notes shall be $___________, being the principal amount of the Notes, plus an 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 June 30, 2017. The Notes are being issued under Resolution No. ______ adopted by the Board of Supervisors of the County (the "Board of Supervisors") on __________, 2016 (the "Resolution"), and in full conformity with the Constitution and laws of the State of California, as amended and supplemented. The Notes shall bear interest at the rate of _______% per annum, priced to yield at the rate of ________% per annum. 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 September 18, 2015 (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 seven (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 ("MSRB"). In addition, the County shall prepare or cause to be prepared the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters no later than one (1) business day prior to the Issue Date (defined below) to enable the Underwriters to comply with MSRB Rule G-32.

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, each of the Underwriters is and has 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 the 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; (iv) the Underwriters have financial and other interests that differ from those of the County and (v) 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 July 1, 2016, or at such other time and on such other date as shall have been mutually agreed upon by the County and the Representative (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 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 Representative may designate (except that the County shall not be responsible for the failure to comply with any such laws or 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 Representative thereof, and (ii) if in the reasonable opinion of the Representative 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 Representative 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 Representative of all material developments, if any, occurring with respect to the County and (b) if determined by the County or requested by the Representative, 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 MSRB and is available from such depository upon request. The Underwriters hereby agree to use 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 Representative, 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 Representative, 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, 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 Representative.

(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, 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, 2015, 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, 2015, except as described in the CAFR or the Official Statement.

(P) In order to effect the pledge of Pledged Revenues provided in the Resolution, the County hereby agrees to be deposited in the Payment Account (as defined in the Resolution) (a) on __________, an amount equal to ___% of the principal amount of and interest on the Note at maturity from unrestricted revenues received by the County in _______; and (b) on ___________, an amount equal to ___% of the principal amount of and interest on the Note at maturity from unrestricted revenues received by the County in ________ (and any amounts received thereafter provided for or attributable to Fiscal Year 2016-17), until the amount on deposit in the Payment Account is equal to the percentage of the principal and interest due on the Notes. Any such deposit may take into consideration anticipated investment earnings on amounts deposited in an Investment Agreement that is a Permitted Investment through the Maturity Date..

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 Representative in writing:

(A) The representations, warranties and covenants of the County contained herein shall be true and correct at the date hereof and at and as of the Closing, as if made on the date 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 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 Representative; (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 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 NOTE," "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 Kutak Rock LLP, 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 date of Closing (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 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;

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

(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 were 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 have not been modified, amended, rescinded or revoked and are in full force and effect at and as of the Closing, except for amendments, if any, adopted with the consent of the Representative;

(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 Representative, 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) The Resolution authorizing the issuance of the Notes and the execution and delivery of the Documents 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) 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 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 Note Purchase Agreement and the Official Statement, such documents have been duly authorized, executed and delivered on behalf of the County, and 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 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 Notes from the County in form and substance satisfactory to Note Counsel, signed by an official of the County;

(8) 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;

(9) Certified copy 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 Representative 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;

(10) An opinion, dated the date of the Closing addressed to the Underwriters, of Norton Rose Fulbright US LLP, counsel to the Underwriters, in such form as may be acceptable to the Representative; and

(11) 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 Representative 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 Representative in writing in its sole discretion.

The Underwriters shall also have the right to terminate, in their sole discretion, their 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:

(A) 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 Representative, 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

(B) 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 Representative, 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

(C) 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 Representative, impractical or inadvisable to proceed with the offering of the Notes as contemplated in the Official Statement; or

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

(E) 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

(F) 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

(G) 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 Representative, impractical or inadvisable to proceed with the offering of the Notes as contemplated in the Official Statement; or

(H) 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 Representative, impractical or inadvisable to proceed with the offering of the Notes as contemplated in the Official Statement; or

(I) 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 (A) the performance by the Underwriters of their obligations hereunder; and (B) 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 any paying 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 Representative, to Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Holly Vocal.

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.

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,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Representative of the Underwriters

By ______________________________
Authorized Signatory

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: ________________

Equipment and Resource Request
For Use of Board Room

Please submit this form no later than 48 hours prior to your meeting. Due to Friday closures at the County Administrative Center, forms for Monday meetings are due on the prior Wednesday. Submit this form to lmwagner@rcbos.org by clicking on the submit button, or fax to (951) 955-1071, attention Lisa Wagner.

Contact Information:

Meeting Title:	Planning Commission	
Department/Agency:	Planning Department	
(mm/dd/yy) Meeting Date:	05/18/16	
(hh:mm) Time for Set Up:	08:00	
(hh:mm) Meeting Start & End Time:	09:00	
Contact Person / Phone:	Mary Stark	(951) 955-7436
Alternate Contact Person / Phone:	Karlene Hernandez	(951) 955-6097
Email:	mcstark@rctlma.org	khernand@rctlma.org

Equipment/Resources Needed (Check all that apply):

DVD/PowerPoint Presentation:	☑	Document Overhead Projector:	☑
CD/DVD/TAPE of Meeting:	☐	Laptop:	☑
Podium:	☑	Stationary Microphone:	☑
Special Pictures/Digital Camera:	☐	Portable Microphone:	☑
Video Teleconferencing:	☐	IT required to be present at meeting:	☑
		Live Streaming:	☑

VTC Leader/Account # ______ PIN# ______ We can provide one for you, if needed

If requesting video/audio conferencing and you do not have an account number, please contact our IT staff at least 2 working days prior to the meeting in advance, for assistance in setting up an account.

Other Special Requests or Comments:

NOTE: Requests for tables or other furniture to be used at the entrance of the Board room must be directed to Facilities Management at least 24 hours in advance *by the requesting department or agency.*

Materials for PowerPoint, DVD, and music must be given to the Board of Supervisors Information Technology Team **no later than noon on the business day prior to the meeting. Please note that the Clerk of the Board is closed every Friday.** Most setups will be done 1 hr before actual meeting starting time.

Please note that no outside laptops, memory sticks or other external devices may be used with the Board audio/visual system. Only Board of Supervisors IT staff may operate the audio/video system and select other County equipment. If there are any questions regarding IT Services, please contact the Board of Supervisors IT staff at 955-0890. Other questions about the Board room may be directed to Lisa Wagner, Executive Assistant, at (951) 955-1063.

For special presentations that may include music, video segments or require a synchronized pace, it is strongly recommended that a "practice session" be scheduled on a date prior to your meeting.

IT support does not include non-technical functions such as unloading of vehicles, or distribution of materials to attendees. The Clerk of the Board does not provide copying, faxing, or other office equipment or clerical services.

Be advised that only water in a bottle or covered container may be brought into the Board Room. **NO FOOD OR OTHER BEVERAGES** are allowed in the Board Room. Users are responsible for cleanup at the conclusion of the meeting. Clerk of the Board staff inspects the room and equipment before and after each meeting. Departments and agencies using the Board Room are responsible for the cost of any damages or special cleaning charges.

Be aware that the Board of Supervisors sometimes has a need to use the Board room for urgent County business. In those cases, the Board reserves the right to cancel or delay other reservations with minimal advance notice. Our office will work with you to find an alternate location, but cannot guarantee an alternate venue.

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Board Meeting Setup and Check Off Sheet

Meeting Date: 05/18/16 **Meeting Title:** Planning Commission

Meeting Time: 09:00

(hh:mm) Setup	08:00	(hh:mm) End	11:00
(hh:mm) Begin	09:00	Total Time	2 hours
Contact Person 1	Mary Stark	Contact Person 2	Karlene Hernandez
Phone 1	(951) 955-7436	Phone 2	(951) 955-6097

Special Request

- DVD FOR MEETING: ☐
- Laptop Presentation: ☑
- Special Pictures/Camera: ☐
- Tech Support for Meeting: ☑
- ftr/FTP Setup: ☐
- Video Teleconf: ☐
- Live Streaming: ☑

Equipment Check

SystemStart Up

- Light Check ☐
- Doc. Projector Check ☐
- Big Screen Check ☐
- Computer Check ☐
- Camera Check ☐

System Shut Down

- Stage Lights check ☐
- Seating Distribution ☐
- **Mic Position down** ☐

SOUND CHECK

SystemStart Up

- Microphone Check ☐
- Portable Mic Check ☐
- Overhead Speaker Check ☐
- Voting Board Check ☐
- **Live/Streaming Connection** ☐

System Shut Down

- **Audio recording** ☐
- **Broadcast to TV** ☐

Contact Riv at 0820 and when meeting is completed min 4 times

Equipment Issues ☐ None Notes:

Please contact IT Support Team when meeting is completed

Cable Connection Contact	**Scott 712-6995**	**Austin 204-2132**	**Office 826-5964**
		Control Rm# 51529	
IT Person - Contact	E. Caroline	Fabio Duarte	R. Cipriani
Phone	59889 or 378-1135	59865 or 231-5840	51076 or 362-1860

Please Note: Call IT staff when meeting is completed

Equipment and Resource Request
For Use of Board Room

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Contact Information:

Meeting Title:	LEADERS IN ACTION BOARD PRESENTATION
Department/Agency:	DPSS
Meeting Date:	MAY 20 2016
Time for Set Up:	8:00 AM
Meeting Start & End Time:	9:00 – 11:45 AM
Contact Person / Phone:	TINA KERRIGAN / 619.300-5396
Alternate Contact Person / Phone:	PRESTON ROBINSON / 858-609-9205
Email:	TINA KERRIGAN / TKERRIGAN@MAIL.SDSU.EDU

Lisa Laugh - DPSS 83005

Equipment/Resources Needed (Check all that apply):

- [ ] DVD/PowerPoint Presentation:
- [x] CD/DVD/TAPE of Meeting:
- [x] Podium:
- [ ] Special Pictures/Digital Camera:
- [ ] Video Teleconferencing:
- [ ] Document Overhead Projector:
- [x] Laptop:
- [x] Stationary Microphone:
- [ ] Portable Microphone:
- [ ] IT required to be present at meeting:
- [ ] Live Streaming:

VTC Leader/Account # ______ PIN# ______ We can provide one for you, if needed

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Board Meeting Setup and Check Off Sheet

Meeting Date: ☐ **Meeting Title:** ☐

Meeting Time: ☐

Setup ☐ End ☐
Begin ☐ Total Time ☐
Contact Person 1 ☐ Contact Person 2 ☐
Phone 1 ☐ Phone 2 ☐

Special Request

DVD FOR MEETING: ☐
Laptop Presentation: ☐
Special Pictures/Camera: ☐
Tech Support for Meeting: ☐
ftr/FTP Setup: ☐
Video Teleconf: ☐
Live Streaming: ☐

Equipment Check

SystemStart Up

Light Check ☐
Doc. Projector Check ☐
Big Screen Check ☐
Computer Check ☐
Camera Check ☐

System Shut Down

Stage Lights check ☐
Seating Distribution ☐
Mic Position down ☐

SOUND CHECK

SystemStart Up

Microphone Check ☐
Portable Mic Check ☐
Overhead Speaker Check ☐
Voting Board Check ☐
Live/Streaming Connection ☐

System Shut Down

Audio recording ☐
Broadcast to TV ☐

Contact Riv at 0820 and when meeting is completed min 4 times

Equipment Issues

☐ None Notes: ☐

Please contact IT Support Team when meeting is completed

Cable Connection Contact	**Scott 712-6995**	**Austin 204-2132**	**Office 826-5964**
		Control Rm# 51529	
IT Person - Contact	E. Caroline	Fabio Duarte	R. Cipriani
Phone	59889 or 378-1135	59865 or 231-5840	51076 or 362-1860

Please Note: Call IT staff when meeting is completed

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 2,347,828 as of January 1, 2016, representing an approximately 1.3% increase over the County's population as estimated for the prior year, and a rate higher than the statewide population increase of 0.9% for the same period. For the ten year period of January 1, 2006 to January 1, 2016, the County's population grew by approximately 18.82%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, and account for a total population of 12.16% of the County as of January 1, 2016.

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)

CITY	2012	2013	2014	2015	2016
Banning	30,051	30,177	30,306	30,659	30,834
Beaumont	38,851	39,787	40,853	43,601	45,118
Blythe	20,440	19,609	18,982	19,254	19,813
Calimesa	8,022	8,096	8,225	8,138	8,289
Canyon Lake	10,721	10,771	10,817	10,608	10,681
Cathedral City	52,108	52,350	52,571	53,859	54,261
Coachella	42,030	42,795	43,601	45,001	45,407
Corona	154,985	156,864	159,109	163,317	164,659
Desert Hot Springs	27,721	27,835	27,986	28,794	29,048
Eastvale	55,770	57,266	59,151	60,825	63,162
Hemet	80,329	80,899	81,520	79,548	80,070
Indian Wells	5,050	5,083	5,133	5,336	5,412
Indio	78,298	81,415	82,375	86,683	88,058
Jurupa Valley	96,745	97,272	97,738	96,898	98,177
Lake Elsinore	53,183	55,444	56,688	59,142	61,006
La Quinta	38,190	38,412	39,023	39,311	39,977
Menifee	80,831	82,314	83,686	87,286	89,004
Moreno Valley	197,086	198,183	199,257	203,696	205,383
Murrieta	105,300	105,860	106,393	112,576	113,795
Norco	27,123	26,632	26,566	26,392	26,896
Palm Desert	49,619	49,962	50,424	48,835	49,335
Palm Springs	45,414	45,724	46,135	46,204	46,654
Perris	70,391	70,983	72,063	72,476	73,722
Rancho Mirage	17,556	17,643	17,739	17,920	18,070
Riverside	309,407	312,035	314,221	321,655	324,696
San Jacinto	44,937	45,229	45,537	47,087	47,656
Temecula	103,403	104,907	106,256	107,794	109,064
Wildomar	32,818	33,182	33,696	34,758	35,168
TOTALS					
Incorporated	1,876,494	1,896,729	1,916,051	1,957,653	1,983,415
Unincorporated	357,699	358,924	364,140	360,271	364,413
County-Wide	2,234,193	2,255,653	2,280,191	2,317,924	2,347,828
California	37,668,804	37,984,138	38,357,121	38,907,642	39,255,883

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 2012 through 2016:

RIVERSIDE COUNTY AND CALIFORNIA
TOTAL EFFECTIVE BUYING INCOME,
MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME AND
PERCENT OF HOUSEHOLDS WITH INCOMES OVER $50,000[1]

	Total Effective Buying Income[2]	Median Household Effective Buying Income	Percent of Households with Income over $50,000
2012			
Riverside County	$ 39,981,683	$44,116	42.91%
California	814,578,458	47,062	46.65
2013			
Riverside County	$ 40,157,310	$43,860	42.39%
California	864,088,828	47,307	46.90
2014			
Riverside County	$ 40,293,518	$44,784	43.84%
California	858,676,636	48,340	48.17
2015			
Riverside County	$ 41,199,300	$45,576	44.79%
California	901,189,699	50,072	50.05
2016			
Riverside County	$ 45,407,058	$48,674	48.50%
California	981,231,666	53,589	52.74

(1) Estimated, as of January 1 of each year
(2) Dollars in thousands

Source: Nielsen Solution Center

Industry And Employment

The County is a part of the Riverside-San Bernardino-Ontario 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. The number of employed persons in the County by industry is set forth in the following table.

RIVERSIDE-SAN BERNARDINO-ONTARIO PMSA
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY(1)

(In Thousands)

INDUSTRY	2011	2012	2013	2014	2015
Agriculture	14.9	15.0	14.5	14.4	15.1
Construction	59.1	62.6	70.0	77.6	85.2
Finance Activities	39.5	40.2	41.3	42.3	43.2
Government	227.5	224.6	225.2	228.8	233.4
Manufacturing:	85.1	86.7	87.3	91.3	95.6
Nondurables	29.3	29.8	30.1	31.1	32.8
Durables	55.8	56.9	57.3	60.2	62.8
Mining & Logging	1.0	1.2	1.2	1.3	1.3
Retail Trade	158.5	162.4	164.8	169.4	173.5
Professional and Business Services	126.0	127.5	132.4	139.3	144.4
Education and Health Services	165.4	173.6	187.6	194.8	205.0
Leisure & Hospitality	124.0	129.4	135.9	144.8	151.5
Other Services	39.1	40.1	41.1	43.0	44.0
Transportation, Warehousing and Utilities	67.9	73.0	78.4	86.6	97.3
Wholesale Trade	49.02	52.2	56.4	58.9	61.7
Information	12.2	11.7	11.5	11.3	11.3
Total, All Industries	1,169.4	1,200.2	1,247.8	1,303.7	1,362.4

(1) 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.

The following table sets forth the major employers in the County as of 2015 and their respective product or service and number of employees as of 2015.

COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS[1]
(2015)

Company Name	Product/Service	No. of Local Employees[2]
County of Riverside	Government	20,684
March Air Reserve Base	Military Reserve Base	8,500
Stater Brothers Market	Supermarket	6,900
Walmart	Retail Store	6,550
University of California, Riverside	University	5,768
Kaiser Permanente Riverside Medical Center	Hospital	5,300
Corona-Norco Unified School District	School District	4,932
Temecula Valley Unified School District	School District	4,000
Riverside Unified School District	School District	3,871
Hemet Unified School District	School District	3,400

(1) Certain major employers in the County may have been excluded because of the data collection methodology used by Riverside County Economic Development Agency.
(2) Includes employees within the County; excludes, under certain circumstances, temporary, seasonal and per diem employees.
Source: County Economic Development Agency

Unemployment data for the County, the State and the United States for the years 2011 through 2015 and partial data for 2016 (as indicated) are set forth in the following table.

COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA

	2011	2012	2013	2014	2015	2016
County[1]	13.7%	12.1%	10.3%	8.2%	6.7%	5.9%[2]
California[1]	11.8	10.4	8.9	7.5	6.2	5.7[2]
United States[4]	8.9	8.1	7.4	6.2	5.3	5.0[3]

(1) Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.
(2) For February 2016.
(3) For March 2016.
(4) 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 three factory outlet malls (Desert Hills Factory Stores, Cabazon Outlets 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 2009 through 2013, the last year being the most recent full year of which annual data is currently available. **[UPDATE IF 2014 CALENDAR YEAR DATA AVAILABLE AT TIME OF PRINTING]**

COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(IN THOUSANDS)

	2009	2010	2011	2012	2013
Motor Vehicles and Parts Dealers	$2,449,747	$2,620,568	$3,010,487	$3,493,098	$3,965,201
Furniture and Home Furnishings	381,643	412,325	436,482	441,649	486,061
Electronics and Appliances Stores	476,455	470,784	478,406	488,419	510,423
Building Materials, Garden Equipment and Supplies	1,237,518	1,232,145	1,303,073	1,365,513	1,535,178
Food and Beverage Stores	1,251,220	1,267,758	1,304,731	1,356,148	1,421,590
Health and Personal Care Stores	389,620	400,207	454,268	490,238	523,724
Gasoline Stations	2,300,247	2,685,840	3,300,785	3,516,040	3,456,322
Clothing and Clothing Accessories Stores	1,293,271	1,391,174	1,505,821	1,672,482	1,771,603
Sporting Goods, Hobby, Book and Music Stores	411,301	428,121	454,971	467,536	499,366
General Merchandise Stores	2,855,733	2,947,905	3,051,709	3,174,022	3,298,920
Miscellaneous Store Retailers	641,954	652,273	700,338	742,118	758,664
Nonstore Retailers	101,925	92,916	101,876	142,081	243,334
Food Services and Drinking Places	2,266,853	2,317,486	2,473,339	2,668,324	2,836,388
Total Retail and Food Services	$16,057,488	$16,919,500	$18,576,285	$20,016,668	$21,306,774
All Other Outlets	6,170,390	6,233,280	7,065,212	8,079,341	8,758,693
Total All Outlets	$22,227,877	$23,152,780	$25,641,497	$28,096,009	$30,065,467

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

Building and Real Estate Activity

The two tables below set forth a summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) from 2011 through 2015.

COUNTY OF RIVERSIDE
BUILDING PERMIT VALUATIONS[1]
(IN THOUSANDS)

	2011	2012	2013	2014	2015
RESIDENTIAL					
New Single-Family	$ 651,747	$ 854,814	$1,134,158	$1,296,553	$1,267,593
New Multi-Family	115,064	99,578	136,501	178,117	110,458
Alterations and Adjustments	119,684	84,517	94,422	147,081	113,615
Total Residential	$ 886,495	$1,038,963	$1,365,081	$1,621,751	$1,491,666
NON-RESIDENTIAL					
New Commercial	$ 152,160	$ 346,865	$ 80,510	$ 184,138	$ 182,089
New Industry	10,000	3,767	140,972	161,321	111,070
New Other[1]	99,898	78,602	184,500	142,204	215,914
Alterations & Adjustments	297,357	154,325	364,616	327,327	299,882
Total Nonresidential	$ 559,415	$ 583,559	$ 770,598	$ 814,990	$ 808,956
TOTAL ALL BUILDING	$1,445,910	$1,602,522	$2,135,679	$2,436,741	$2,300,622

(1) Includes churches and religious buildings, medical and institutional buildings, school and educational buildings, agricultural buildings, residential garages, public works and utility buildings. Hospital construction permits issued by the California Office of Statewide Health Planning are not included in the private, nonresidential building data, except where the project may also be permitted by the local jurisdiction.

Source: Construction Industry Research Board for 2010, 2011, 2014 and 2015, California Homebuilding Foundation for 2012 and 2013

COUNTY OF RIVERSIDE
NUMBER OF NEW DWELLING UNITS

	2011	2012	2013	2014	2015
Single Family	2,676	3,455	4,671	5,007	4,833
Multi-Family	1,073	829	1,415	1,931	1,189
TOTAL	3,749	4,284	6,086	6,938	6,022

Source: Construction Industry Research Board for 2010, 2011, 2014 and 2015, California Homebuilding Foundation for 2012 and 2013

The following table sets forth the annual median housing prices for Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2010 through 2015.

COUNTIES OF LOS ANGELES, RIVERSIDE AND SAN BERNARDINO AND SOUTHERN CALIFORNIA MEDIAN HOUSING PRICES

Year	Los Angeles	Riverside	San Bernardino	Southern California(1)
2010	$335,000	$200,000	$155,000	$290,000
2011	315,000	195,000	150,000	280,000
2012	330,000	210,000	163,000	300,000
2013	411,000	259,000	205,000	370,000
2014	455,000	293,000	240,000	410,000
2015	487,500	310,000	262,000	431,000

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

Source: MDA DataQuick Information Systems.

The following table sets forth the home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2010 through 2015.

COUNTIES OF LOS ANGELES, RIVERSIDE AND SAN BERNARDINO AND SOUTHERN CALIFORNIA COMPARISON OF HOME FORECLOSURES

Year	Los Angeles	Riverside	San Bernardino	Southern California(1)
2010	26,827	20,598	16,757	86,853
2011	25,597	17,383	14,181	77,105
2012	15,271	10,657	9,262	47,347
2013	6,469	4,191	4,088	19,470
2014	4,566	2,912	2,984	13,787
2015	3,970	2,463	2,616	11,959

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

Source: MDA DataQuick Information Systems.

Agriculture

Agriculture is an important source of income in the County. In 2014, principal agricultural products were milk, nursery stock, table grapes, hay, lemons, bell peppers, eggs, grapefruit, dates and avocados.

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

The County, and all of Southern California, is experiencing a severe drought. See "—Environmental Control Services" below. [The County does not expect at this time that the drought in general will impact agricultural production in the County.]

The following table sets forth the value of agricultural production in the County for the years 2010 through 2014.

COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION

	2010	2011	2012	2013	2014
Citrus Fruits	$140,500,922	$119,942,513	$125,711,000	$142,404,000	$170,891,000
Trees and Vines	164,993,960	232,649,262	217,214,000	232,536,000	223,593,000
Vegetables, Melons, Misc.	292,002,337	278,628,295	286,234,000	340,407,000	337,404,000
Field and Seed Crops	81,328,229	149,198,052	147,352,000	154,582,000	156,575,000
Nursery	169,341,300	200,154,964	190,878,100	191,215,000	172,910,000
Apiculture	4,631,700	4,844,400	4,983,400	4,715,000	4,819,000
Aquaculture	4,921,700	4,808,250	4,205,000	2,262,000	5,078,000
Livestock and Poultry	235,926,225	292,030,380	276,553,000	259,683,000	290,746,000
Grand Total	$1,093,646,373	$1,282,256,116	$1,253,130,000	$1,327,804,000	$1,362,016,000

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. Riverside 91 Express Lanes that connect with the OCTA SR-91 Express Lanes at the Orange County/Riverside County line and continue to the Interstate 15/State Route 91 interchange are under construction and expected to open in early 2017. When travelling along State Route 91 through Corona, vehicles will be able to use either the tolled express lanes or the general purpose lanes, which are free.

Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from nine stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and Palm Springs. Freight service to major west coast and national markets is provided by two transcontinental railroads–Union Pacific Railroad and the BNSF 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, servicing 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, and is scheduled to be transferred by the City of Los Angeles to a joint powers authority in June 2016. 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. Approximately ninety-two 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 the Metropolitan Water District of Southern California from the Colorado River via the Colorado River Aqueduct and from the State Water Project via the Edmund G. Brown California Aqueduct. In the Southwest area of the County, approximately 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 Gorgonio 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 governor and the State Legislature have been continuously engaged in discussions on potential strategies to help mitigate the effects of the drought. On April 1, 2015, California's governor issued the fourth in a series of executive orders extending the measures necessary to address California's severe drought conditions. The executive order adopted the following additional orders, among others: (i) SWRCB is directed to impose restrictions to reduce potable urban water usage, including usage by commercial, industrial and institutional properties and golf courses, by 25% through February 28, 2016; portions of a water supplier's service area with higher per capita use must achieve proportionally greater reductions than areas with lower per capita use; (ii) the State of California Department of Water Resources ("DWR") is directed to fund a statewide initiative, in partnership with local agencies, to collectively replace 50 million square feet of lawns with drought tolerant landscaping; (iii) the California Energy Commission is directed to implement a rebate program for replacement of inefficient appliances; (iv) urban water suppliers are required to provide monthly water usage, conservation and enforcement information; (v) service providers are required to monitor groundwater basin levels in accordance with the California Water Code § 10933; (vi) permitting agencies are required to prioritize approval of water infrastructure and supply projects; and (vii) DWR is required to install emergency drought salinity barriers. The 25% conservation standard mandated by the executive order is schedule to result in water savings amounting to approximately 1.3 million acre-feet of water over next nine months. As noted by the SWRCB, California is still experiencing severe drought despite recent heavy rainfall during the winter of 15/16, and on February 2, 2016 CWRCB adopted an extended and revised emergency regulation to ensure that urban water conservation continues through 2016. The regulation extends the aforementioned restrictions on urban water use through October 2016 while providing urban water suppliers more flexibility in meeting their conservation requirements. It also directs staff to report back on additional flexibility once more complete water supply information is known in April 2016. Changes to the February 2016 regulation will likely be made through the Spring 2016 rulemaking process.

During a workshop in May of 2015 to discuss the drought, the Board of Supervisors directed staff to revise County Ordinance 859.3 *Water Efficient Landscape Requirements*. On July 21, 2015 the Board of Supervisors adopted, via an urgency ordinance, updated water efficient landscape requirements Ordinance 859. A key highlight of this revised ordinance is that it "*prohibits the use of natural turf grass laws within the front yards of new homes and promoting low water use plants and inert materials for a sustainable and marketable landscape design.*"

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. The County of Riverside does not own or operate a Publicly Owned Treatment Works (POTW), or sewage plants. Most residents in rural areas of the County which are unsewered rely upon septic tanks and leach fields for sewage disposal only if a POTW does not service the area with sewer infrastructure..

FINANCIAL INFORMATION

Budgetary Process and Budget

Under the California 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 2015-16 Budget

In June 2015, the Board of Supervisors approved the Fiscal Year 2015-16 Recommended Budget (the "Recommended Budget") and subsequently adopted the Fiscal Year 2015-16 Budget (the "Adopted Budget") in July 2015. The Adopted Budget includes total general fund appropriations of approximately \$3.1 billion. For Fiscal Year 2015-16, the County projects in its Adopted Budget that approximately 44.8% of its General Fund budget revenues will consist of payments from the State and 20.3% will consist of payments from the Federal government. Discretionary revenue was budgeted to increase to approximately \$735.2 million (\$719.1 million in the Recommended Budget) for Fiscal Year 2015-16, an increase of approximately 8.3% (6.0% in the Recommended Budget) from the Fiscal Year 2014-15 adjusted budget estimates. Such revenue increase was primarily attributable to growth in the value of property taxes and one-time State revenue. The Adopted Budget includes an increase in discretionary spending of approximately \$127.9 million (\$57.7 million in the Recommended Budget) from the prior fiscal year. Property tax revenue is budgeted at approximately \$318.6 million for Fiscal Year 2015-16, and represents approximately 43.3% of the County's discretionary revenue. The County had an increase in assessed valuation in Fiscal Year 2015-16 of approximately 5.8% from Fiscal Year 2014-15.

The Adopted Budget for Fiscal Year 2015-16 recognized that current costs are growing at a rate that is outpacing projected ongoing revenues. In addition, the County has recently entered into a settlement agreement with the Prison Law Office to improve inmate health care (the "Settlement Agreement"). Substantial funding was allocated in the Adopted Budget to address issues related to the Settlement Agreement. The Executive Office continues to evaluate te potential of ongoing costs for increased Detention Health, Behavioral Health and Sherriff Department costs related to the Settlement

Agreement, and currently estimates the increased costs to be at least $40 million per year over the near future. To deal with the budgetary issues facing the County, the County has made several recommendations to the Board for the proposed budget and will finalize those recommendations with the presentation of the proposed budget in June 2016. Since the bulk of the County's increased costs relate to public safety expenditure, the County engaged KPMG Consulting to conduct a review of the related departments. The County has received the initial Public Safety efficiency report from KPMG and has started the steps to implement the recommendations. These steps are expected to increase the efficiency and effectiveness of the public safety departments and reduce the cost of delivering their services.

In addition to the Public Safety implementation, the County has given instructions to departments that new personnel costs will need to be absorbed. In addition, although the Board had approved a policy increasing patrol ratios to 1.20 officers per 1,000 of population, the ratio has been frozen until further notice at 1.04/1,000 in order to control costs. The County will be phasing in the occupancy of the East County Detention Center to Fiscal Year 2017-18 or later. Ongoing operations of the detention facility will be funded by the General fund and Proposition 172 funds. The County has already initiated the ramp up of the personnel in Detention Health, Behavioral Health and Sheriff Departments to assure compliance with the terms of the Settlement Agreement, which increases are reflected in current Adopted Budget.

Fiscal Year 2016-17 Proposed Budget

The County has started its budget process for Fiscal Year 2016-17 and plans to hold its budget hearings on June 20, 2016, at which time the Board of Supervisors will consider the Fiscal Year 2016-17 Recommended Budget. The County executive office expects to present a balanced Fiscal Year 2016-17 Recommended Budget using ongoing funding and some funding from reserves to bridge the gap until long-term solutions are adopted. In July 2016, the County will adopt its Fiscal Year 2016-17 Budget when the preliminary year-end financial data for Fiscal Year 2015-16 becomes available. Property tax revenue is expected to grow between 4.5% to 5% in Fiscal Year 2016-17 and sales tax receipts that are not related to solar projects within the County are expected to remain stable. Labor costs are expected to continue to increase in Fiscal Year 2016-17 along with pension obligations and internal service rates, which is expected to place additional strain on County departments. All general fund departments have been directed to prepare budgets that are balanced and absorb any additional costs without additional general fund support. Departments may request additional support, if needed, during the budget hearings in June.

Impacts of State Budget

Changes in payments to the County from the State, whether temporary or permanent, may require adjustments to the County's Fiscal Year 2015-16 and 2016-17 budgets. 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 that 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 various additional responsibilities related to inmates released from state prison, newly convicted offenders whose offenses are legally defined under the State Penal Code as non-violent, non-serious and non-sexual, and parole violators. [In Fiscal Year 2013-14, the County received a $51.24 million appropriation from the State to address the needs of the realigned criminal justice population. In Fiscal Year 2014-15, the County received $3.2 million less funding for realignment as the statewide allocation was $60 million less than the prior year. In Fiscal Year 2015-16, the County received approximately $62.35 million appropriation from the State to address the needs of the realigned criminal justice population. Although this amount is not sufficient to meet all of the identified needs, the slow pace of hiring has led to under-spending and the affected County departments have been able to continue providing identified services. [The County received a growth estimate of $4.9 million for Fiscal Year 2016-17]. However, the County does not have an estimate of the total realignment cost for Fiscal Year 2016-17 at this time.

Final Budget Comparison

The following table sets forth the General Fund budgets for 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[1]
FISCAL YEARS 2011-12, 2012-13, 2013-14, 2014-15 AND 2015-16
(IN MILLIONS)

	2011-12 Budget	2012-13 Budget	2013-14 Budget	2014-15 Budget	2015-16 Budget
REQUIREMENTS					
General Government	$ 174.4	$ 180.4	$ 179.5	$ 178.0	$ 216.1
Public Protection	1,060.0	1,072.1	1,132.4	1,190.6	1,276.2
Health and Sanitation	411.9	430.1	485.9	481.4	562.3
Public Assistance	802.9	762.3	835.7	902.7	1,004.8
Education	0.6	0.6	0.6	0.6	0.7
Recreation and Cultural	0.4	0.0	0.4	0.3	0.3
Debt Retirement-Capital Leases	5.0	5.0	4.9	4.9	4.7
Contingencies	20.0	7.0	20.0	23.2	36.5
Increase to Reserves	2.4	2.3	2.3	2.0	2.0
Total Requirements[3]	$2,477.7	$2,459.8	$2,661.7	$2,783.7	$ 3,100.8
AVAILABLE FUNDS					
Use of Fund Balance and Reserves	$ 90.1	$ 74.0	$ 78.3	$ 48.5	$ 76.8
Estimated Revenues:					
Property Taxes	214.9	211.5	229.9	256.6	280.2
Other Taxes	35.5	35.0	31.0	27.0	25.0
Licenses, Permits and Franchises	18.1	17.7	17.6	18.2	17.5
Fines, Forfeitures and Penalties	56.2	51.7	49.3	45.3	44.4
Use of Money and Properties	10.0	7.4	6.3	10.7	16.6
Aid from Other Governmental Agencies:					
State	936.3	1,005.5	1,097.4	1,194.0	1,356.1
Federal	506.7	493.9	544.9	551.8	615.3
Charges for Current Services	462.8	442.6	469.1	496.7	528.9
Other Revenues	147.7	120.5	137.9	134.9	139.9
Total Available Funds[2]	$2,477.7	$2,459.8	$2,661.7	$2,783.7	$ 3,100.8

(1) Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.
(2) Column numbers may not add up to totals due to rounding.

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 March 31, 2016, the portfolio assets comprising the PIF had a market value of $6,319,190,751.12.

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, 2015, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. The Auditor-Controller reports that collectively, these mandatory deposits constituted approximately 73.99% of the funds on deposit in the County Treasury, while approximately 26.01% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions to participate in the County's PIF, 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 2015 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 March 31, 2016, were as follows:

	% of Pool
U.S. Treasuries	13.86
Federal Agencies	68.10
Municipal Bonds	3.72
Local Agency Obligations	0.01
Commercial Paper	3.08
CalTrust Short Term Fund	0.86
Money Market Mutual Funds	7.76
Cash/Deposit Accounts	2.61
Total	100.00%
Book Yield:	0.65%
Weighted Average Maturity:	1.07 Years

Source: County Treasurer-Tax Collector

As of March 31, 2016, the market value of the PIF was 100.10% 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 has 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. As of September 29, 2004, the State no longer required the County to have a local oversight committee; however, the County has elected to maintain the committee. The committee is utilized by the County to safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "Aaa-bf" 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 districts 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. 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 $38.63 administrative cost, a $36.77 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.

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 set forth the secured property tax roll and the unsecured property tax roll of the County for Fiscal Year 2003-04 through Fiscal Year 2015-16.

COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 2004-05 THROUGH 2015-16
SECURED PROPERTY TAX ROLL(1)

Fiscal Year	Secured Property Tax Levy	Current Levy Delinquent June 30	Percentage of Current Taxes Delinquent June 30(2)	Total Collections(3)	Percentage of Total Collections to Current Levy
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	2,122,973,130	101.38
2006-07	2,559,448,076	180,175,146	7.04	2,533,225,935	98.98
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	104.82
2012-13	2,677,034,057	58,215,544	2.17	2,800,820,511	104.62
2013-14	2,813,381,750	49,716,695	1.76	2,943,824,187	104.64
2014-15	3,014,259,026	46,145,916	1.53	3,152,661,477	104.59
2015-16(4)	3,205,453,157	N/A	N/A	N/A	N/A

(1) The Levy and Collection data reflects the 1% levy allowed under Article XIIIA 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.
(2) 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.
(3) Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.
(4) Actual unaudited figures.

Source: County Auditor-Controller

UNSECURED PROPERTY TAX ROLL(1)

Fiscal Year	Unsecured Property Tax Levy	Total Collections(2)	Percentage of Total Collections to Original Levy(2)
2004-05	$61,359,545	$58,253,834	94.94%
2005-06	67,010,790	65,220,783	97.33
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.35
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	93.84
2013-14	83,522,992	86,835,311	103.97
2014-15	84,869,586	89,749,581	105.75
2015-16(3)	84,381,854	76,365,635 (4)	90.50

(1) The Levy and Collection data reflects the 1% levy allowed under Article XIIIA 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.
(2) Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.
(3) From Unsecured Extension for Fiscal Year 2015-16.
(4) Include Period 1 and 2 Current Unsecured Collections for Fiscal Year 2015-16.

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 sets forth the supplemental tax roll of the County for Fiscal Year 2004-05 through Fiscal Year 2015-16:

COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 2004-05 THROUGH 2015-16

Fiscal Year	Tax Levy for Increased Assessments(1),(2),(3)	Refunds for Decreased Assessments(1), (3)	Net Supplemental Tax Levy	Collections(1),(2)
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(4)	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922)(5)	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	17,105,096
2012-13	35,389,177	16,720,188	18,668,989	23,487,988
2013-14	52,907,916	8,982,077	43,925,839	41,498,433
2014-15(6)	68,579,326	7,954,074	60,625,253	56,319,752(6)
2015-16(7)	61,893,478	5,572,398(7)	56,321,080	40,103,024(7)

(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.
(6) From July 2014 through June 2015.
(7) From July 2015 through April 2016.

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

The following table sets forth the assessed valuation by category and property type for Fiscal Year 2011-12 through Fiscal Year 2015-16:

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE(1)
FISCAL YEARS 2010-11 THROUGH 2015-16
(IN MILLIONS)

Category	2011-12	2012-13	2013-14	2014-15	2015-16
SECURED PROPERTY:					
Land	$ 64,308	$ 63,549	$ 65,635	$ 69,805	$73,305
Structures	131,516	132,077	138,000	150,275	160,030
Personal Property	836	887	878	919	875
Utilities	3,614	3,475	3,618	4,630	4,768
Total Secured	$200,274	$199,988	$208,131	$225,629	$238,978
UNSECURED PROPERTY:					
Land	$ 29	$ 17	$ 13	$ 5	$9
Structures	274	268	227	203	193
Improvements	3,504	3,683	3,684	3,519	3,543
Fixtures	3,975	3,895	3,691	3,700	3,736
Total Unsecured(2)	$ 7,782	$ 7,863	$ 7,615	$ 7,427	$7,481
GRAND TOTAL	$208,056	$207,851	$215,746	$233,056	$246,459

(1) Assessed valuation is reported as of August 20 of each year at 100% of full taxable value. Pursuant to Article XIIIA 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.
(2) Represents total of categories set forth above; does not represent total tax roll values.

Source: County Auditor-Controller/County Assessor

Housing prices have been showing increases in recent years. 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 Fiscal Year 2010-11, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which encompassed approximately 400,000 properties. This resulted 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. In Fiscal Year 2013-14, 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. In Fiscal Years 2014-15, 2015-16 and 2016-17, there were no additional Prop 8 reductions of significance. Assessed valuation in the County increased from Fiscal Year 2013-14 to Fiscal Year 2014-15 by approximately 7.74%, and increased from Fiscal Year 2014-15 to 2015-16 by approximately 5.78%.

Property Tax Appeals. The County has received assessment appeals applicable to Fiscal Year 2015-16 totaling approximately $5.74 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 $2.1 billion of assessed value was reduced from the County tax roll in Fiscal Year 2013-14 and Fiscal Year 2014-15 due to appeals, representing $21 million in general purpose taxes over the two-fiscal year period. 24% of the Fiscal Year 2014-15 assessment appeals have been completed. The majority of the remaining Fiscal Year 2014-15 assessment appeals are expected to be completed by November 30, 2016.

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 2015-16 budget will be determined primarily by two components: (i) the remainder of the Fiscal Year 2014-15 assessment appeals still to be completed; and (ii) a portion of the Fiscal Year 2015-16 assessment appeals being completed during Fiscal Year 2016-17.

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 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 2015-16, approximately 56.06% of all taxing entities within the County participated in the Teeter Plan.

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 issue, in October 2015, of County of Riverside 2015 Series D Teeter Obligation Notes (Tax-Exempt) (the "2015 Notes") in the amount of $87.04 million. The proceeds of the 2015 Notes refunded the outstanding County of Riverside 2014 Teeter Obligation Notes, Series D originally issued in the amount of $99.36 million, funded an advance of unpaid property taxes for agencies participating in the Teeter Plan, and paid costs of issuance related to the Notes. The 2015 Notes funded approximately $35.74 million representing Fiscal Year 2014-15 delinquent property taxes and approximately $51.1 million representing prior years' delinquent property taxes. The 2015 Notes mature on October 12, 2016. The County's General Fund is pledged to the repayment of the 2015 Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to repay the 2015 Notes.

Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for Fiscal Year 2015-16:

COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2015-16
COMBINED TAX ROLLS(1)

TAXPAYER	TOTAL TAXES LEVIED	PERCENTAGE OF TOTAL TAX CHARGE
Southern California Edison Company	$43,869,534.00	1.30%
Southern California Gas Company	$8,996,957.28	0.27%
Verizon California, Inc.	$7,870,960.26	0.23%
CPV Sentinel, LLC	$6,755,947.56	0.20%
Chelsea GCA Realty Partnership	$3,350,972.48	0.10%
Inland Empire Energy Center, LLC	$3,185,736.40	0.09%
Tyler Mall LTD Partnership	$2,986,022.70	0.09%
Blythe Energy, LLC	$2,959,867.64	0.09%
Walgreen Co	$2,951,190.08	0.09%
KB Home Coastal Inc	$2,811,503.04	0.08%
Lennar Homes of Calif Inc	$2,809,385.86	0.08%
Castle & Cooke Corona Crossings	$2,762,329.70	0.08%
Standard Pacific Corp	$2,710,859.36	0.08%
Target Corp	$2,698,330.04	0.08%
Lowes HIW Inc	$2,629,343.46	0.08%
Wal Mart Real Estate Business Trust	$2,542,374.38	0.08%
Costco Wholesale Corp	$2,494,424.76	0.07%
Ross Dress for Less Inc	$2,478,669.50	0.07%
Palm Desert Funding Co	$2,343,326.98	0.07%
Roripaugh Valley Restoration	$2,342,824.24	0.07%
Garden of Champions	$2,234,880.70	0.07%
AT&T Mobility LLC	$2,221,597.32	0.07%
D R Horton Los Angeles Holding Co	$2,186,746.34	0.06%
Pardee Homes	$2,024,202.82	0.06%
Time Warner Cable Pacific West LLC	$1,966,197.15	0.06%
Total	**$122,184,184.05**	**3.62%**
Total Tax Charge for 2015-16	**$3,378,273,335.61**	

(1) 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 the Fiscal Year 2015-16 are shown below:

COUNTY OF RIVERSIDE
TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2015-16
BY ASSESSED VALUE

ASSESSEE	ASSESSED VALUE
Eisenhower Memorial Hospital	$371,094,578
Kaiser Foundation Hospitals	340,654,689
Kaiser Foundation Health Plan Inc.	293,246,749
Ross Dress for Less Inc.	292,590,481
Walgreens Co.	268,003,498
Target Corp.	246,737,200
Chelsea GCA Realty Partnership	240,569,323
Costco Wholesale Corp.	233,526,214
Lowes HIW Inc.	208,018,184
	205,888,497
Subtotal	$2,700,329,413
All Others	$240,016,401,838
Total	$242,716,731,251 (1)

(1) 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 majority of property taxes collected by the County are disbursed to other agencies. For Fiscal Year 2014-15, the County retained approximately 12.22% of the total amount collected (and is budgeted to retain 12.24% in Fiscal Year 2015-16). 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 applied to pay such obligations, less any allowable collection charges.

Redevelopment Agencies

The California Community Redevelopment Law (California 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 for Fiscal Years 2004-05 through 2015-16.

COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 2004-05 THROUGH 2015-16

Fiscal Year	Frozen Base Value	Full Cash Value Increments(1)	Total Tax Allocations(2) (3)
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	58,677,226,297	688,683,052
2014-15	16,352,691,201	58,479,843,303	618,826,349
2015-16(4)	16,352,657,201	65,770,021,482	658,589,455

(1) 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.
(2) 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.
(3) Includes general purpose and debt; excludes negative increment.
(4) Based on County estimate of increment of assessed value for the community redevelopment agencies for Fiscal Year 2015-16.

Source: County Auditor-Controller

Legislation enacted as part of the State's 2011 Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution effective 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 Fiscal Year 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 $1,600,443, 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 receives only a fraction of the pass-through payments from the County redevelopment agency it previously received, but these amounts were relatively modest and are largely offset by the County's receipt of its tax allocation under the AB 8 formula. 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 21, 2016, the County received approximately $5 million in such funds in the current fiscal year.

In Fiscal Year 2014-15, the County received approximately $94 million in pass-through payments pursuant to agreements with various city redevelopment agencies, and is projecting that it will receive approximately $95 million in Fiscal Year 2015-16 and $96 million in Fiscal Year 2016-17. 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 2014-15 were audited by Brown Armstrong Accountancy Corporation. See APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

The County adopted the provisions of GASB Statement No. 34 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, 2015, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

The following table sets forth the County's Statement of Revenues, Expenditures and Change in Unreserved Funds Balances-General Fund for Fiscal Year 2010-11 through 2014-15.

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2010-11 THROUGH 2014-15
(In Thousands)

	2010-11	2011-12	2012-13	2013-14	2014-15
BEGINNING FUND BALANCE	$ 386,486	$ 343,562	$ 336,598	$ 357,249	$ 364,676[1]
REVENUES					
Taxes	221,807	216,746	246,144	256,746	267,708
Licenses, permits and franchises	18,187	17,648	16,442	16,588	17,829
Fines, forfeiture sand penalties	93,528	88,979	85,241	81,037	77,770
Use of money and property–Interest	8,196	4,740	1,676	4,629	4,372
Use of money and property– Rents and concessions	3,669	3,798	3,670	12,269	7,758
Government Aid–State	856,327	931,652	1,000,545	1,107,878	1,224,095
Government Aid–Federal	490,088	475,221	478,791	462,291	542,934
Governmental Aid-Other	82,147	80,332	81,169	83,169	94,217
Charges for current services	369,780	354,451	374,750	396,904	431,323
Other revenues	37,654	40,852	26,253	41,248	34,851
TOTAL REVENUES	$2,181,383	$2,214,419	$2,315,681	$2,462,759	$2,702,857
EXPENDITURES					
General government	$ 109,146	$ 127,195	$ 103,895	$ 106,045	$ 109,900
Public protection	1,025,584	1,010,999	1,043,017	1,116,621	1,189,466
Public ways and facilities	-	-	-	-	8
Health and sanitation	345,649	369,165	388,325	416,005	478,047
Public assistance	731,017	719,670	735,057	795,309	865,309
Education	548	579	564	586	590
Recreation and cultural	364	324	346	287	317
Capital Outlay	8,321	2,671	1,721	2,965	54,529
Debt service	24,829	21,426	19,576	15,475	12,877
TOTAL EXPENDITURES	$2,245,458	$2,252,029	$2,292,501	$2,453,293	$2,711,043
Excess (deficit) of revenues over (under) expenditures	(64,075)	(37,610)	23,180	9,466	(8,186)
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	$ 106,047	$ 123,587	$ 92,297	$ 95,017	$ 87,924
Transfer to other funds	(93,217)	(98,045)	(96,547)	(101,021)	(103,554)
Capital Leases	8,321	2,671	1,721	2,965	54,529
Total other Financing Sources (Uses)	$ 21,151	$ 28,213	$ (2,529)	$ (3,039)	$ 38,899
NET CHANGE IN FUND BALANCES	$ (42,924)	$ (9,397)	$ 20,651	$ 6,427	$ 30,713
FUND BALANCE, END OF YEAR(1)	$ 343,562	$ 336,598	$ 357,249	$ 363,676	$ 395,389

(1) Restated.
(2) 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.

The following table sets forth the County's General Fund balance sheets for Fiscal Years 2010-11 through 2014-15.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2011 THROUGH JUNE 30, 2015

(In Thousands)

	2011	2012	2013	2014	2015
ASSETS:					
Cash & Marketable Securities	$ 160,887	$ 151,845	$ 128,655	$ 129,305	$ 133,487
Taxes Receivable	17,790	14,046	10,931	9,849	9,243
Accounts Receivable	12,771	9,196	9,167	11,281	10,846
Interest Receivable	1,119	643	687	650	785
Advances to Other Funds	3,692	3,342	3,342	5,842	7,442
Due from Other Funds	18,787	14,227	9,071	11,157	11,854
Due from Other Governments	276,656	328,817	308,532	333,728	317,901
Inventories	1,564	1,187	2,059	1,682	1,638
Prepaid items	277	298	818	--	--
Restricted Assets	283,095	299,673	307,452	350,158	358,985
Total Assets	$ 777,638	$ 823,274	$ 780,714	$ 853,652	$ 852,181
LIABILITIES:					
Accounts Payable	$ 84,116	$ 75,996	$ 24,234	$ 61,288	$ 24,756
Salaries & Benefits Payable	50,374	57,391	57,519	68,156	79,116
Due To Other Funds	2,639	1,466	9,190	248	2,172
Due to Other Governments	34,550	40,804	23,377	20,395	32,894
Deferred Revenue	260,343	311,003	66,855	65,929	48,535
Deposits Payable	2,054	16	19	61	43
Advances from other funds	--	--	--	5,000	--
Advances from grantors and third parties	-	-	242,271	268,899	269,276
Total Liabilities	$ 434,076	$ 486,676	$ 423,465	$ 489,976	$ 456,792
FUND BALANCE:(1)					
Nonspendable	$ 2,214	$ 1,834	$ 3,247	$ 2,045	$ 2,001
Restricted	98,552	101,651	101,440	117,595	122,967
Committed	50,097	52,439	42,183	32,820	39,422
Assigned	3,463	8,674	10,460	7,772	5,144
Unassigned	189,236	171,910(2)	199,919(2)	203,444	225,855
Fund Balance	$ 343,562	$ 336,598	$ 357,249	$ 363,676	$ 395,389
Total Liabilities and Fund Balance	$ 777,638	$ 823,274	$ 780,714	$ 853,652	$ 852,181

(1) 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.
(2) Annual fluctuations are due mainly to fluctuation in tax revenue, general government expenditures, interest earnings and State allocations.

Source: County Auditor-Controller

COUNTY OF RIVERSIDE
GENERAL FUND BALANCES
AT JUNE 30, 2008 THROUGH JUNE 30, 2015

(In Thousands)

	Reserved	Unreserved				Total
2008	$84,466	394,302				$478,768
2009	91,196	280,925				372,121
2010	90,374	296,112				386,486
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
2011(1)	$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
2013	3,247	101,440	42,183	10,460	199,919	357,249
2014	2,045	117,595	32,820	7,772	203,444	363,676
2015	2,001	122,967	39,422	5,144	225,855	395,389

(1) 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 July 1, 2015, the County issued its 2015-16 Tax and Revenue Anticipation Note (the "2015-16 TRAN") in the principal amount of $250,000,000 to provide funds to meet the County's Fiscal Year 2015-16 general fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. The 2015-16 TRAN is due on June 30, 2016. The 2015-16 TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2015-16 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 May 1, 2016, the County had $903,949,397 in direct general fund obligations and $304,520,000 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 May 1, 2016.

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF MAY 1, 2016)

2015-16 Assessed Valuation: $243,024,479,047 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/16	
Metropolitan Water District	6.315%	$ 5,864,425	
Community College Districts	1.188-100.	634,226,958	
Unified School Districts	1.280-100.	2,416,165,113	
Perris Union High School District	100.	114,315,877	
Elementary School Districts	100.	74,938,338	
City of Riverside	100.	12,430,000	
Eastern Municipal Water District Improvement Districts	100.	34,540,000	
Riverside County Flood Control, Zone 3-B and 4 Benefit Assessment District	100.	21,565,000	
San Gorgonio Memorial Hospital District	100.	114,135,000	
Community Facilities Districts	50.225-100.	2,785,018,976	
Riverside County 1915 Act Bonds	100.	1,610,000	
City and Special District 1915 Act Bonds (Estimated)	100.	207,205,050	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$6,422,014,737	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	**100. %**	**$ 903,949,397**	(1)
Riverside County Pension Obligations	**100.**	**304,520,000**	
Riverside County Board of Education Obligations	100.	935,000	
School Districts General Fund and Lease Tax Obligations	1.280-100.	428,229,707	
City of Corona General Fund Obligations	100.	47,485,186	
City of Moreno Valley General Fund Obligations	100.	70,978,000	
City of Indio General Fund Obligations	100.	19,730,000	
City of Palm Springs Certificates of Participation and Pension Obligation Bonds	100.	139,698,100	
City of Riverside Certificates of Participation	100.	227,416,284	
City of Riverside Pension Obligation Bonds	100.	108,725,000	
Other City General Fund Obligations	100.	72,282,586	
Other Special District Certificates of Participation	100.	1,823,228	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,325,772,488	
Less: **Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)**		**6,895,315**	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,318,877,173	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$2,516,942,868	
GROSS COMBINED TOTAL DEBT		$11,264,730,093	(3)
NET COMBINED TOTAL DEBT		$11,257,834,778	

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2015-16 Assessed Valuation:

Overlapping Tax and Assessment Debt	2.64%
Combined Gross Direct Debt ($1,208,469,397)	**0.50%**
Combined Net Direct Debt ($1,201,574,082)	**0.49%**
Gross Combined Total Debt	4.64%
Net Combined Total Debt	4.63%

Ratios to Successor Agency Redevelopment Incremental Valuation ($64,626,146,977):

Total Overlapping Tax Increment Debt	3.89%

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 June 1, 2016, the County's current outstanding lease obligations total $894,981,122. The County's annual lease obligation is approximately $86,988,866 and the maximum annual lease payment is $133,544,059.

The table on the following page sets forth the County's outstanding lease obligations and the respective annual lease requirements as of June 1, 2016.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(AS OF JUNE 1, 2016)

	Final Maturity Year	*Original Lease Amount*	*Obligations Outstanding*	*Annual Base Rental*
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1997 Series A	2026	41,170,073	32,580,807	
1997 Series C	2019	3,265,000	3,265,000	
2012 Series A and B[(1)]	2019	90,530,000	66,880,000	19,524,497[(1)]
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	3,400,000	879,000[(2)]
Riverside County Palm Desert Financing Authority Lease Revenue Bonds 2008 Series A	2022	72,445,000	46,260,000	8,260,400
County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding)[(3)]	2021	36,100,000	15,230,000	2,562,375
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	6,560,315	
Series 2002	2020	925,000	335,000	1,829,006[(4)]
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project) 2008 Series A[(5)]	2032	78,895,000	73,830,000	6,426,602
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	21,185,000	8,626,500
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	13,480,000	1,156,456
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects)[(6)]	2040	45,685,000	45,140,000	1,918,300
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	2,790,000	678,722
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project)[(7)]	2031	33,360,000	28,330,000	2,509,388
County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds)[(8)]	2033	17,640,000	14,780,000	1,385,025
County of Riverside Leasehold Revenue Bonds (2013 Series A Public Defender/Probation Bldg and Riverside County Technology Solution Center Projects)	2043	66,015,000	634,920,000	4,278,588
Riverside Community Properties Development, Inc. Lease Revenue Bonds (2013 Riverside County Law Building Project)	2044	44,380,000	44,380,000	3,123,950
County of Riverside Lease Revenue Bonds (Courts Facilities Project), Series 2014 A &2014 B (Taxable)[(9)]	2033	18,495,000	14,810,000	2,348,126
County of Riverside Public Financing Authority (2015 A Lease Revenue Bonds)	2046	325,000,000	325,000,000	15,596,900
County of Riverside Infrastructure Financing Authority (2015 A Lease Revenue Refunding Bonds))[(10)]	2037	72,825,000	72,825,000	5,889,031
TOTAL		$1,112,130,073	$894,981,122	$86,988,866

(1) 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.

(2) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending April 5, 2016 was approximately 0.22%.

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

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

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

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

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

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

(9) The 2014 Series A & B (Taxable) County of Riverside Lease Revenue Bonds refunded the County of Riverside Certificates of Participation (Capital Facilities Project) 2003 Series B, County of Riverside Certificates of Participation (Historic Courthouse Project) 2003 Series A and the County of Riverside Court Financing Corporation Certificates of Participation (Bankruptcy Courthouse Acquisition Property).

(10) The 2015 Series A Infrastructure Financing Authority Lease Revenue Refunding Bonds refunded the County of Riverside Certificates of Participation (Capital Facilities Project) 2005 Series A, County of Riverside Certificates of Participation (Historic Courthouse Refunding Project) 2005 Series B and the County of Riverside Certificates of Participation (Capital Facilities Projects) 2006 A.

Source: County Executive Office.

Lease Lines of Credits

On February 4, 2013, the County entered into a $40 million multi-year lease line of credit with Banc of America Public Capital Corp. to finance various capital equipment needs of County departments. An additional $20 million extension of this lease line of credit was executed July 21, 2015. At the time of such extension, there was approximately $25 million of unused credit remaining.

Capital Lease Repurchase Agreements

On January 29, 2013, the County entered into a Master Equipment Lease Purchase Agreement with Banc of America Capital Corp. in the amount of $15,000,000 to finance the purchase and installation of Cisco voice, video, wireless and data converged network equipment to replace all of the County's phones, auto attendants, Interactive Voice Response System, call centers, voicemail and wireless networks. On June 25, 2013, the County entered into an amendment to the Master Equipment Lease Purchase Agreement to provide for an additional $3,250,000 in lease financing for additional equipment. As of September 22, 2015, approximately $11,000,000 principal amount remained outstanding under the original lease and $2,500,000 principal amount remained outstanding under the first amendment to the lease, which are scheduled to be repaid in full by 2019. On September 22, 2015, the County entered into a subsequent Master Equipment Lease Purchase Agreement to finance the last of the required equipment in an additional amount of $6,380,000, which is scheduled to be repaid in full by 2022.

On October 30, 2014, the County entered into a Lease Purchase Agreement with Banc of America Public Capital Corp. in the amount of $54,573,300 to finance the purchase and installation of certain solar equipment for the purpose of reducing County energy costs. As of August 1, 2015, the entire principal owed under the Lease Purchase Agreement remained outstanding.

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 "Aa2" by Moody's, "AA-" by Standard & Poor's and "AA" by Fitch as of April 2016. 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 April 29, 2016, the swap agreement had a negative fair market value of approximately $27.67 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 April 2016, Assured Guaranty Corp. had a rating of "AA" by S&P and "A2" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

Employees

The following tables sets forth the number of County employees for Fiscal Years 2006-2016.

COUNTY OF RIVERSIDE
REGULAR EMPLOYEES
2006 THROUGH 2015

Year	Regular Employees[1]
2006	15,832
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	17,764
2012	17,815
2013	18,728
2014	18,620
2015	19,244
2016[2]	19,404

(1) As of December 31st of each year. Excludes temporary and per diem employees.
(2) As of May 2, 2016.

Source: County Human Resources Department

County employees comprise 13 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 72% 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 non-management 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").

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 extending to June 2017. As part of these agreements, the parties agreed to a phase out of the County's obligation to pay the employee's required member contributions towards retirement. The elimination of the County's retirement obligation to pay employee's required member contributions is anticipated to produce significant annual savings. Member retirement contributions and County offsets of employee contributions, are not included in the required employer contribution rates prepared by PERS.

The County's collective bargaining agreements with RSA and LIUNA are scheduled to expire on June 30, 2016. RSA has submitted to the County a request to bargain. The County does not expect bargaining to commence prior to June 24, 2016. LIUNA has not yet submitted a request to bargain. During the last 20 years, there has been no major County employee work stoppage.

COUNTY OF RIVERSIDE
LABOR ORGANIZATIONS[1]

Bargaining units or employee group	Number of Employees	Expiration Date of Contract
Management, Confidential, and Other Unrepresented	1,395	N/A
Law Enforcement Management Unit (LEMU)	479	June 30, 2017
Riverside County Deputy District Attorneys' Association (RCDDAA)	376	June 30, 2017
Riverside Sheriffs' Association (RSA)	3,292	June 30, 2016
Service Employees International Union (SEIU)	6,962	November 30, 2016
Laborers' International Union of North America (LIUNA)	7,611	June 30, 2016
Total	20,120	

(1) Includes all County districts.

Source: County Human Resources Department.

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 pension benefits for eligible employees in the Miscellaneous and Safety Plans (herein defined), with PERS. 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, benefit factor (determined by age at retirement), and final compensation which is the highest average pay rate and special compensation during any consecutive one-year period of employment (for Tier 1 employees) or three-year period of employment (for Tier 2 and Tier 3 employees). The benefit calculation for members is the product of the benefit factor (based on age), years of service, and final compensation. Due to recent pension reform, the County's retirement plan currently includes three tiers of benefits.

COUNTY OF RIVERSIDE
EMPLOYEES PER RETIREMENT TIER[1]
(As of May 2, 2016)

Tier Level	Number of Employees in Tier Level
Tier 1	13,927
Tier 2	698
Tier 3	4,779
Total	19,404

(1) Excludes Temporary, Per Diem, and Seasonal Employees.
Source: County Human Resources Department.

Miscellaneous members, who qualify for retirement benefits based on their date of hire, are enrolled in one of three tiers of benefits Tier I (3% at 60), Tier II (2% at 60), or Tier III (2% at 62). Safety members, who qualify for retirement benefits based on their date of hire, are enrolled in one of three tiers of benefits Tier I (3% at 50), Tier II (2% at 50), or Tier III (2.7% at 57). The three tiers of retirement benefits all provide for cost-of-living adjustments of up to 2% per year after retirement. For further information on the County's pension obligations, see Note 20 of the Notes to Basic Financial Statements, June 30, 2015, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

In September 2003, the County established the Pension Advisory Review Committee ("PARC"). The purpose of PARC is to develop a better institutional understanding of the County's pension plan (the "Plan"), currently managed by

PERS and to advise the Board of Supervisors on important matters concerning the Plan. PARC reports annually to the Board of Supervisors on the performance of the Plan and evaluates strategies to address appropriate funding of the Plan.

The Board of Supervisors approved a second tier ("Tier II") level of retirement benefits for new Miscellaneous and Safety employees. On August 23, 2012, the County implemented a Tier II retirement benefit applicable to employees first employed by the County after August 23, 2012. The Tier II retirement benefit calculation is based on year of service, age, and the average monthly eligible wages earned during the highest three consecutive years of employment. The Tier II retirement 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 Law of 1937 (the "1937 Act"). The majority of the PEPRA changes first impacted the rates and benefit provisions on the June 30, 2013 valuation for the Fiscal Year 2015-16 rates. Among other things, PEPRA creates a new retirement benefit tier ("Tier III") 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 III formulas for both Miscellaneous and Safety provide for a reduced benefit and was required to be implemented by all public agency employers unless the retirement formula in existence on December 31, 2012 had both a lower normal cost and lower benefit factor at normal retirement age. PEPRA requires that all new employees hired 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 2.7% at 57 for Safety members. PEPRA mandated all new members be subject to a pensionable compensation cap, which limits the annual salary that can be used to calculate final compensation for all new members. Adjustments to the limits are permitted annually based on changes to the Consumer Price Index (CPI) for all urban consumers. 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 projects that the implementation of the Tier II and Tier III formulas will reverse the trend of increasing CalPERS contributions beginning in Fiscal Year 2022-23..

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 and employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Miscellaneous Plan (the "Miscellaneous Plan") and a Safety Plan (the "Safety Plan" and, together with the Miscellaneous Plan, the "PERS Plans"). The County contributes to PERS based on the annual actuarial valuation rates recommended by 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 2014 covered PERS' Fiscal Year 2011-12). 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, 2013, which was prepared in October 2014, is effective for the County's Fiscal Year 2015-16). 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 the 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, 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 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).

In June 2012, the GASB issued Statement No. 68, which revises and establishes new financial reporting requirements for governments that provide their employees with pension benefits. Prior to implementing GASB 68, employers participating in a cost-sharing multiple-employer defined benefit pension plan (cost-sharing plan) administered by CalPERS did not need any additional information beyond what was included in CalPERS' audited financial statements. Similarly, employers participating in an agent multiple-employer defined benefit pension plan (agent plan) administered by CalPERS used information from the CalPERS funding actuarial valuation reports for accounting and financial reporting purposes. With the implementation of GASB 68, employers will be required to recognize a liability as employees accrue pension benefits. For the first time, employers will recognize their net pension liability, and pension expenses.

On April 17, 2013, the PERS Board approved a recommendation to change the PERS amortization and rate smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy, which spread investment returns over a 15-year period while experience gains and losses were amortized over a rolling 30-year period. Effective with the June 30, 2013 valuations, PERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will spread rate increases or decreases over a 5-year period, and will amortize all experience gains and losses over a fixed 30-year period. The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations. These valuations will be performed in the fall of 2014 and will set employer contribution rates for Fiscal Year 2015-16. The Fiscal Year 2015-16 rate for Miscellaneous is 15.429% and Safety is 23.585%. For complete updated inflation and actuarial assumptions, please contact PERS at California Public Employees Retirement System, Lincoln Plaza, 400 Q Street, Sacramento, CA 95811, Telephone: (888) 225 7377.

On February 19, 2014, the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have long-term blended returns that continue to support a discount rate assumption of 7.5%. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these changes is the change in mortality improvement to acknowledge the greater life expectancies CalPERS is experiencing within its membership. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up and a 5-year ramp-down, resulting in a total 30-year amortization period.

In addition to required County contributions, members are also obligated to make certain payments. The Tier I members' contribution rates are fixed at 8% of salaries for the Miscellaneous Plan and 9% of salaries for the Safety 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").

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, 2014, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 16.476% be implemented as the required rate for Fiscal Year 2016-17, which the County anticipates will result in a contribution to PERS of approximately $150.3 million for that fiscal year. In addition, the County will pay PERS for the Miscellaneous Plan approximately $293,000 in County Offsets of Employee Contributions for Fiscal Year 2016-17, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2016-17 of approximately $150.6 million. In the actuarial valuation for the Safety Plan as of June 30, 2014, the most recent

PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 26.57% be implemented as the required rate for Fiscal Year 2016-17, which the County anticipates will result in a contribution to PERS of approximately $80.4 million for that fiscal year. As of Fiscal Year 2014-15, the County no longer pays County Offsets of Employee Contributions to PERS for the Safety Plan for Tier I and Tier II, but continues to pay 1.75% of the employee contribution rate of 10.75% for Tier III. This will result in an additional County payment of approximately $680,948 in Fiscal Year 2016-17, for a total estimated County contribution for the Miscellaneous Plan of $81.1 million in such fiscal year.

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 few years due to the significant investment losses during Fiscal Year 2008-09. While investment gains experienced in Fiscal Years 2009-10 through 2012-13 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") in the original principal amount of $400,000,000, the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. The 2005 Pension Obligations Bonds remain outstanding in the principal amount of $304,520,000, with annual debt service payments of approximately $31,639,000. 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, the 2005 Pension Obligation Bonds have resulted in a net gain to the County of approximately $72 million as of February 15, 2016. A liability management fund was established in connection with the 2005 Pension Obligation Bonds. By Board policy, each year in its annual report, PARC recommends to the Board whether the funds in the liability management fund should be applied to purchase 2005 Pension Obligations Bonds or to transfer the funds to PERS to reduce the County's PERS liability. In 2015, PARC recommended a transfer of the liability management fund balance of $3.3 million to PERS. 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, 2009 through June 30, 2013 and the total employer contributions made by the County for Fiscal Year 2011-12 through Fiscal Year 2015-16. The two tables are based on PERS Actuarial Reports for those years:

HISTORICAL FUNDING STATUS
(Safety Plan)

Valuation Date June 30	Unfunded Accrued Actuarial Liability	Funded Status (Actuarial Value)	Affects County Contribution for Fiscal Year	County Contribution Amount(1)	County Offsets of Employee Contributions(2)
2009	$131,506,806	92.0%	2011-12	$60,667,388	$13,460,331
2010	184,737,814	89.8	2012-13	63,652,359	11,594,226
2011	286,064,497	85.9	2013-14	71,724,520	2,843,364
2012	225,792,281	89.2	2014-15	70,139,838	605,908
2013(4)	509,464,128	77.7	2015-16	73,878,291(3)	638,203(3)
2014	517,398,969	80.7	2016-17	80,416,678(3)	680,948(3)

(1) 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, as debt service with respect to the County's oustanding pension obligation bonds, or otherwise.
(2) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12. The County continues to offset 1.75% of contributions for Safety Plan members under Tier III (the employee contribution rate is 10.75%). The projected increase in Fiscal Year 2015-16 is due to increased payroll of that membership.
(3) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of Fiscal Years 2015-16 and 2016-17.
(4) Beginning with the June 30, 2013, valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2014 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions)

HISTORICAL FUNDING STATUS
(Miscellaneous Plan)

Valuation Date June 30	Unfunded Accrued Actuarial Liability	Funded Status (Actuarial Value)	Affects County Contribution for Fiscal Year	County Contribution Amount(1)	County Offsets of Employee Contributions(2)
2009	$389,195,847	89.7%	2011-12	$103,892,326	$36,974,032
2010	444,330,905	89.2	2012-13	106,685,618	17,525,337
2011	538,055,042	87.9	2013-14	125,248,122	7,319,320
2012	536,480,531	88.6	2014-15	127,786,977	292,784
2013(4)	1,034,364,773	79.3	2015-16	136,169,803(3)	307,423(3)
2014	973,226,141	82.8	2016-17	150,305,602(3)	293,000(3)

(1) 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, as debt service with respect to the County's oustanding pension obligation bonds, or otherwise.
(2) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12. The County continues to pay 8% of the 8% required contributions for Miscellaneous Plan members who are covered by Riverside County Deputy District Attorney Association bargaining unit.
(3) Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of Fiscal Years 2015-16 and 2016-17.
(4) Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2014 (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)

Valuation Date June 30	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (Actuarial Value) (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)	Market Value of Assets (MVA)	Funded Ratio MVA
2009	$1,642,544,731	$1,511,047,925	$131,506,806	92.0%	$265,237,512	49.6%	$1,100,356,865	67.0%
2010	1,809,467,588	1,624,729,774	184,737,814	89.8	265,165,399	69.7	1,279,783,747	70.7
2011	2,032,001,280	1,745,936,783	286,064,497	85.9	273,169,605	104.7	1,565,799,198	77.1
2012	2,086,406,405	1,860,614,124	225,792,281	89.2	261,703,717	86.3	1,567,404,726	75.1
2013	2,285,586,497	1,776,122,369(1)	509,464,128	77.7	271,367,032	187.7	1,776,122,369	77.7
2014	2,615,686,777	2,098,296,808	517,389,969	80.2	295,171,068	175.2	2,098,296,808	80.2

(1) Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.
Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2014

SCHEDULE OF FUNDING PROGRESS
(Miscellaneous Plan)

Valuation Date June 30	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (Actuarial Value) (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)	Market Value of Assets (MVA)	Funded Ratio MVA
2009	$3,790,232,824	$3,401,036,977	$389,195,847	89.7%	$841,103,683	46.3%	$2,482,332,809	65.6%
2010	4,097,191,707	3,652,860,802	444,330,905	89.2	854,932,117	52.0	2,882,444,152	70.4
2011	4,461,553,672	3,923,498,630	538,055,042	87.9	812,362,628	66.2	3,525,640,733	79.0
2012	4,708,881,750	4,172,401,219	536,480,531	88.6	836,418,298	64.1	3,520,189,846	74.8
2013	5,008,806,968	3,974,442,195(1)	1,034,364,773	79.3	856,593,282	120.8	3,974,442,195	79.3
2014	5,656,121,103	4,682,894,962	973,226,141	82.8	897,506,714	108.4	4,682,894,962	82.8

(1) Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.
Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2014

The following table shows the percentage of salary which the County was responsible for contributing to PERS from Fiscal Year 2011-12 through Fiscal Year 2016-17 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Valuation Date June 30,	Affects Contribution Rate for Fiscal Year:	Safety Plan	Miscellaneous Plan
2009	2011-12	21.286%	13.112%
2010	2012-13	22.459	13.494
2011	2013-14	23.368	15.001
2012	2014-15	21.899	14.527
2013	2015-16	23.585	15.429
2014	2016-17	26.570	16.476

Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2014

Projected County Contributions. The County's projections with respect to the County contributions below reflect certain significant assumptions concerning future events and circumstances. The information and the related assumptions are future projections and are not to be construed as representations of fact or representation that in fact the information shown will be the correct amounts for the years indicated. Rather, these amounts reflect good faith estimates by the County taking into account a variety of assumptions. 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. Accordingly, prospective investors are cautioned to view these estimates as general indications of trends and orders of magnitude and not as precise amounts.

During the 2013-14 Fiscal Year, based on PERS' experience in recent years, PERS adopted several changes to the PERS Plans, including the elimination of asset smoothing methodologies, a 25-year amortization period for future gains and losses, elimination of annual caps on increases, and other changes based on a new experience study, including mortality improvements and other demographic assumptions. The changes will impact the County's contribution rates beginning in Fiscal Year 2015-16 and will be fully implemented by Fiscal Year 2020-21. Based on its current analysis of the data, the County projects that its contribution rates will increase significantly during such period, to a contribution rate of approximately 24.2% of payroll for the Miscellaneous Plan and approximately 34.0% of payroll for the Safety Plan. A description of these projections and their underlying assumptions are included in the PARC report which is available on the County's website or upon request.

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.

Other Retirement Plans. The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for Social Security or PERS 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 eligible compensation to the Plan in lieu of Social Security tax. Based on the actuarial valuation of June 30, 2015, the County's current required contribution level is 3.08%. to maintain a funded ratio of over 90%. As of June 30, 2015, the plan was funded at 90%. The County's contribution to the Plan was $606,694 for Fiscal Year 2014-15 and is estimated to be approximately $540,694 for Fiscal Year 2015-16. The Plan's unfunded liabilities as of June 30, 2015 were approximately $7.9 million. Overall, the plan's unfunded actuarial accrued liability (UAAL) increased from the prior valuation due to the net result of the following: 1) demographic experience was different than expected, which resulted in a liability loss; 2) funding interest rate assumption changed from 6.5 percent to 6.0 percent; 3) lump sum interest changed from 6.2 percent to 5 percent, which resulted in higher liabilities; 4) assets were lower than expected due to unfavorable investment return on plan assets (0.41 percent compared to 6.5 percent assumed)..

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 obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB Statement 45 as of July 1, 2014 (the "Health Benefits Valuation"), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an investment rate of 7.36%, the present value of benefits was estimated to be $47.0 million, the accrued actuarial liability was estimated to be $40.1 million and the annual normal cost was $0.96 million. If the accrued actuarial liability of $40.1 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been $1.3 million.

The Board of Supervisors took action on October 25, 2006 to set aside $10 million as a contribution to the California Employers' Retiree Benefit Trust (the "OPEB Trust"). On November 7, 2007 the irrevocable OPEB Trust was established with PERS and a payment of $10.4 million was made to the OPEB Trust. On June 26, 2009, the County contributed an additional $2.2 million to the OPEB Trust. The pre-funding of OPEB through the use of the 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, the overall the actions of the Board have reduced the County's OPEB liability from $237 million in 2006 to $46,1 million most recently.

In May 2014, GASB issued an exposure draft of a statement that will change employer accounting and financial reporting for post-employment benefits other than pensions (OPEB). The impact is expected to be similar to that of GASB 67/68 for pension plans, which must be adopted for the Fiscal Year ending June 30, 2015. It is anticipated this new statement for OPEB would be effective for fiscal years beginning after December 15, 2016. The changes include moving unfunded liabilities from footnotes to the balance sheet creates the potential for more volatile periodic expense and a change in the discount rate basis.

Riverside University Health System - Medical Center ("RUHS")

RUHS – Medical Center ("RUHS") is a 520,000 square foot tertiary care and Level II trauma facility, licensed for 439 beds. There are 362 licensed beds in the main acute-care hospital and 77 licensed beds in a separate psychiatric facility. RUHS has 12 operating rooms including one with a da Vinci Xi surgical robot, a helipad located directly adjacent to the trauma center, and 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 MC provides services to patients covered by various reimbursement programs, principally Medi-Cal and Medicare, and some commercial insurance, while providing services to the uninsured.

The County has the responsibility for providing health care to all individuals, regardless of their ability to pay or insurance status. Declining and inadequate federal and State health care reimbursement, non-payment by uninsured population and the costs of an older and sicker population, have placed significant demands on the County's health care system. These factors have negatively affected RUHS's financial performance over the past several years.

In 2013, the County retained Huron Consulting Group ("Huron") to provide consulting services designed to improve efficiencies and increase revenue at RUHS. The initial engagement is complete and Huron continues to monitor many of the initiatives to ensure they are sustained.

On November 26, 2013, the Board of Supervisors approved a temporary transfer of approximately $26 million to RUHS from the County's Waste Management Enterprise Fund to pay for the Huron engagement. RUHS is required to repay this loan, with interest calculated at the County's pool investment fund rate, beginning in 2016 through 2022. If RUHS is unable to timely repay this loan in full, any unpaid amounts will be transferred to the County's Waste Management Enterprise Fund from unencumbered amounts in the County's General Fund.

Based on its unaudited financial statements for the Fiscal Year ended June 30, 2015, RUHS reported a net income surplus of $59 million. This is a significant improvement over Fiscal Year 2013-14, when RUHS experienced a change in net position of negative $62 million, and over Fiscal Year 2012-13, when RUHS experienced a change in net position of negative $18.3 million. Much of the improvement was the result of significantly better operating performance resulting from 1) the impact of the Affordable Care Act (ACA) resulting in less charity care provided and 100% reimbursement of cost for the newly eligible population, 2) the favorable impact of the Huron engagement on labor and non-labor which management built upon during the fiscal year, and 3) the collection of receivables in excess of determined values at June 30, 2014 as a result of working with the managed care plans and payers.

In December 2015, California's Section 1115 Medicaid Demonstration Waiver, which funds hospitals and indigent care, was renewed for 5 years by the Centers for Medicare and Medicaid Services. The new waiver – entitled Public hospital Reform and Incentives in Medi-cal ("PRIME") -- will provide funding to shift the focus of care away from hospital-based and inpatient care and instead towards outpatient, primary, and preventive care. RUHS is organizing to ensure a pay-for-performance transformation that accomplishes the goal of continuing support, maximizing federal funds and improving the system of care for Riverside County. However, it is unknown at this time precisely how funding changes will affect RUHS's revenues, as the FY16 represents the first year of PRIME's new funding mechanisms.

For Fiscal Year 2015-16, consistent with its past practice, the County contributed approximately $10 million to RUHS from its tobacco settlement revenue receipts and $5 million in redevelopment pass through funds to pay for operating expenses and debt service on the main RUHS facility. The County has budgeted to make similar contributions in Fiscal Year 2016-17. Additionally, the County committed $10 million in Fiscal Year 2015-16 toward RUHS's new electronic records system. In Fiscal Year 2016-17 RUHS is requesting another $5-10 million for the same system. The final amount will be determined during the budget hearing process.

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 $2 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 with a $1.5 million limit on a claims-made basis in excess of the County's self-insured retention, followed by a $20 million limit on an occurrence basis through CSAC Excess Insurance Authority, for a total limit of $21.5 million in excess of the County's self-insured retention. Workers' compensation claims are self-insured to $2 million for each occurrence and the balance of 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 $100,000 per occurrence deductible within a 100-year flood zone and a $50,000 deductible outside of a 100-year flood zone. Property in the County is categorized into four "towers" and each tower provides $300 million in limits. There is also a $190 million excess all-risk and flood rooftop layer sitting excess above the towers for a total of $600 million in all-risk limits for all towers. 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 $100 million with an additional $390 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, 2015 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, 2015 was approximately $163.36 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 Note 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.

The County is currently involved in litigation brought by the Agua Caliente Band of Cahuilla Indians ("Agua Caliente") in federal court requesting a declaration that the County's assessment, levy, and collection of a possessory interest tax on non-tribal members on tribal and U.S. trust lands violates federal law. For Fiscal Year 2015-16, the total possessory interest tax for Agua Caliente's non-tribal member leases is estimated to be approximately $29,000,000, of which $3,500,000 is allocable to the County. Should Agua Caliente be successful, the County would be prohibited from assessing, levying, and collecting the possessory interest tax in the future. In addition, taxpayers could have the right to seek a refund of possessory interest taxes paid for the previous four years with interest. The County estimates that its total liability for such refunds would be approximately $14 million, plus accrued interest. The County denies the allegations of the complaint and is actively defending the action.

Approximately 230 taxpayers have filed two different lawsuits in Superior Court seeking refunds for such possessory interest taxes paid. The total amount of the claims is approximately $8,500,000, of which the County's share is approximately $1,100,000 plus interest. It is likely that if the taxpayers' suits are successful, others will also litigate similar claims. However, the County is defending the actions and expects to prevail.

In December 2014, a putative class action complaint was filed in federal court against the County. The complaint alleges that the County Department of Public Social Services violated the civil rights of the plaintiff and a class of similarly situated individuals by removing minor children from parental custody without a warrant and in the absence of exigent circumstances. The County has filed an answer denying all allegations and is defending the litigation. A class-certification motion is set for a hearing on February 8, 2017, at which time the County's exposure will be more certain. If a class is certified and the suit succeeds on the merits, the County's exposure could be substantial.