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 lawns 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.

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 plant. 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. An adopted budget reflecting any revisions to the recommended budget must be approved 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.

Five-Year Forecast. To ensure prudent financial management, the County maintains a five-year budget forecast (the "County Budget Forecast") based on conservative revenue assumptions derived from information provided by external consultants. The current County Budget Forecast reflects a continuing trend of cost increases outpacing revenue growth, such that the 25% reserve target implemented by the Board of Supervisors is unlikely to be met for the next several years. Consistent with the County Budget Forecast projections, the County was required to use reserves and fund transfers to balance the Fiscal Year 2017-18 budget, adopted by the Board of Supervisors on September 26, 2017 (the "2017-18 Adopted Budget"). Factors driving cost increases include labor concessions, increasing pension costs and inmate health care expenses. See "— Retirement Program" and "— Labor Relations." The County has a number of strategies to address these challenges, such as the deferral of staffing for the new John J. Benoit Detention Center, which is scheduled to be completed in 2018, and closing out vacant full-time positions. With the County actively pursuing such cost mitigation strategies, the County Budget Forecast projects deficit spending until Fiscal Year 2020-21 and a rebuilding of reserves beginning in Fiscal Year 2021-22 toward restoration of such reserves to the target level of 25% of revenues set by the Board of Supervisors. The County Budget Forecast projects a minimum reserve level of $150 million through the forecast period. **[CONFIRM]**

Fiscal Year 2018-19 Budget

On June 26, 2018, the Board of Supervisors approved the Fiscal Year 2018-19 Budget (the "Adopted Budget"). The Adopted Budget includes total general fund appropriations of approximately $3.3 billion. For

Fiscal Year 2018-19, the County estimates that approximately 65% of its General Fund budget revenues in the Adopted Budget will consist of payments from the State and Federal government. Discretionary revenue is budgeted at approximately $781 million for Fiscal Year 2018-19, an increase of approximately 4% from the Fiscal Year 2017-18 adopted budget estimates. The increase is due primarily to modestly rising property-related tax revenues and interest income. The Adopted Budget includes discretionary spending of approximately $799.5 million, an increase of approximately [.82]% from the Fiscal Year 2017-18 adopted budget. The $18.5 million gap between discretionary revenue and discretionary spending is covered by the use of reserves. Property tax revenue is budgeted at approximately $370.1 million (including $111.7 million in redevelopment tax increment pass-through funds) for Fiscal Year 2018-19, and represents approximately 47% of the County's discretionary revenue. Property tax estimates assume an increase in assessed valuation in Fiscal Year 2018-19 of 5% from Fiscal Year 2017-18.

Impacts of State Budget

The County continuously monitors 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" in the front part of the Official Statement.

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. This Realignment funding is derived from three sources: 1) the dedication of 1.0625 cents of the existing sales tax rate; 2) redirection of the revenue generated by Proposition 63 (the "millionaire tax" that supports mental health programs statewide); and 3) 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 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 resulting 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 2017-18, the County received a $____ million appropriation from the State to address the needs of the realigned criminal justice population. In Fiscal Year 2018-19, the County expects to receive an appropriation of approximately $_____ million 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, and the shortfall continues to strain the County's justice system, the affected County departments have been able to continue providing identified services.

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 2014-15 THROUGH 2018-19
(IN MILLIONS)

	2014-15 Budget	*2015-16 Budget*	*2016-17 Budget*	*2017-18 Budget*	*2018-19 Budget*
REQUIREMENTS					
General Government	$ 178.0	$ 216.1	$ 209.1	$ 220.4	$ 228.5
Public Protection	1,190.6	1,276.2	1,345.7	1,379.1	1,438.7
Health and Sanitation	481.4	562.3	534.9	601.1	678.8
Public Assistance	902.7	1,004.8	1,003.8	996.0	1,002.5
Education	0.6	0.7	0.7	0.7	0.7
Recreation and Cultural	0.3	0.3	0.5	0.5	0.5
Debt Retirement-Capital Leases	4.9	4.7	5.1	10.6	10.5
Contingencies	23.2	36.5	20.0	20.0	14.7
Increase to Reserves	2.0	2.0	0.0	0.0	0.0
Total Requirements[2]	$2,783.7	$3,100.8	$3,119.8	$3,228.4	$3,374.9
AVAILABLE FUNDS					
Use of Fund Balance and Reserves	$ 48.5	$ 76.8	$ 67.7	$ 84.9	$ 49.5
Estimated Revenues:					
Property Taxes	256.6	280.2	300.9	303.0	313.4
Other Taxes	27.0	25.0	24.0	21.0	21.0
Licenses, Permits and Franchises	18.2	17.5	18.3	18.1	19.1
Fines, Forfeitures and Penalties	45.3	44.4	39.5	38.4	39.1
Use of Money and Properties	10.7	16.6	10.5	11.4	26.5
Aid from Other Governmental Agencies:					
State	1,194.0	1,356.1	1,357.4	1,407.1	1,462.5
Federal	551.8	615.3	634.1	627.5	681.6
Charges for Current Services	496.7	528.9	523.4	562.7	596.1
Other Revenues	134.9	139.9	144.0	154.3	166.1
Total Available Funds[2]	$2,783.7	$3,100.8	$3,119.8	$3,228.4	$3,374.9

(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 June 30, 2018, the portfolio assets comprising the PIF had a market value of $6,488,967,672.40.

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, 2017, the Auditor-Controller performed an analysis of the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. The County Auditor-Controller reports that collectively, these mandatory deposits constituted approximately 77.82% of the funds on deposit in the County Treasury, while approximately 22.18% 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 Treasurer 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 2017 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-Tax Collector to sell portfolio securities prior to maturity at a principal loss.

The allocation of the investments in the PIF as of [July 31, 2018] were as follows:

	% of Pool
Federal Agency Securities	53.16%
Commercial Paper	15.69
Cash Equivalent & Money Market Funds	7.53
Certificate and Time Deposits	13.03
U.S. Treasury Securities	3.06
Municipal Notes	4.28
Medium Term Notes	3.25
Total Book Value	100.000%
Book Yield:	1.92%
Weighted Average Maturity:	1.24 Years

Source: County Treasurer-Tax Collector.

As of [July 31, 2018], the market value of the PIF was 99.39% 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" (the "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 "AAAf/S1" 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 taxes for 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 30. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, a $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-Tax Collector.

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

The following tables set forth the secured property tax roll and the unsecured property tax roll of the County for Fiscal Year 2006-07 through Fiscal Year 2017-18.

COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 2006-07 THROUGH 2017-18
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*[3]
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	3,205,453,157	45,956,538	1.43	3,318,638,318	103.53
2016-17	3,368,109,165	45,522,477	1.35	3,486,155,109	103.50
2017-18	3,565,210,050	42,580,125	1.19	3,697,098,849	103.70

(1) The Levy and Collection data reflect 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. See the caption "Teeter Plan" herein.

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

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]
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	84,381,854	88,526,356	104.91
2016-17	91,527,259	97,904,720	106.97
2017-18	92,470,967	97,787,334	105.75
2018-19	97,064,852	N/A	N/A

(1) The Levy and Collection data reflect 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.

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 2006-07 through Fiscal Year 2017-18:

COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
***AD VALOREM* PROPERTY TAXATION**
FISCAL YEARS 2006-07 THROUGH 2018-19

Fiscal Year	*Tax Levy for Increased Assessments*(1),(2),(3)	*Refunds for Decreased Assessments*(1), (3)	*Net Supplemental Tax Levy*(2)	*Collections*(1),(2)
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	68,579,326	7,954,074	60,625,253	56,319,752
2015-16	70,084,954	6,399,454	63,685,501	60,101,066
2016-17	85,097,029	7,733,087	77,363,942	70,527,505
2017-18	95,818,550	6,329,416	89,489,134	87,764,555
2018-19	[17,609,422](6)	[1,536,765](6)	[16,072,657](6)	N/A

(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 2018 to August 2018].
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 2014-15 through Fiscal Year 2018-19:

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE[1]
FISCAL YEARS 2014-15 THROUGH 2018-19
(IN MILLIONS)

Category	*2014-15*	*2015-16*	*2016-17*	*2017-18*	*2018-19*
SECURED PROPERTY:					
Land	$ 69,805	$ 73,305	$ 76,443	$ 79,694	$ 83,726
Structures	150,275	160,030	169,096	179,648	192,023
Personal Property	919	875	829	789	898
Utilities	4,630	4,768	5,350	5,327	5,461
Total Secured	$225,629	$238,978	$251,718	$265,458	$282,108
UNSECURED PROPERTY:					
Land	$ 5	$ 9	$ 3	$ 4	$ 35
Structures	203	193	133	115	109
Fixtures	3,519	3,543	3,738	3,791	4,108
Personal Property	3,700	3,736	4,082	4,166	4,612
Total Unsecured[2]	$ 7,427	$ 7,481	$ 7,956	$ 8,076	$ 8,864
GRAND TOTAL	$233,056	$246,459	$259,674	$273,534	$290,972

(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 1975-76 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.

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. Following the decline in housing prices in the County during the most recent recession, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, in each year from Fiscal Year 2010-11 to Fiscal Year 2013-14, which resulted in a net decline in assessed valuation in each of those years. In Fiscal Years 2014-15, 2015-16 and 2016-17, there were no additional proactive Proposition 8 reductions. Housing prices in the County have been showing increases in recent years. Assessed valuation in the County increased from Fiscal Year 2014-15 to 2015-16 by approximately 5.78%, from Fiscal Year 2015-16 to 2016-17 by approximately 5.08%, from Fiscal Year 2016-17 to 2017-18 by approximately 5.52% and from Fiscal Year 2017-18 to 2018-19 by approximately 6.26%.

Property Tax Appeals. The County has received assessment appeals applicable to Fiscal Year 2017-18 totaling approximately $11.3 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 $471 million of assessed value was reduced from the County tax roll in Fiscal Year 2015-16 and Fiscal Year 2016-17 due to appeals, representing $4.71 million in general purpose taxes over the two-fiscal year period. 22% of the Fiscal Year 2017-18 assessment appeals have been completed. The majority of the remaining Fiscal Year 2017-18 assessment appeals are expected to be completed by November 2019.

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 2018-19 budget will be determined primarily by the remainder of the Fiscal Year 2017-18 assessment appeals still to be completed during Fiscal Year 2018-19.

Teeter Plan

See "THE COUNTY—Teeter Plan" in this Official Statement for information on the County's Teeter Plan.

Largest Taxpayers

The following table shows the 25 largest property taxpayers by individual tax levied in the County for Fiscal Year 2017-18:

COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2017-18
BY TAX LEVIED[(1)]

Taxpayer	*Total Taxes Levied*	*Percentage of Total Tax Charge*
Southern California Edison Company	$ 50,542,476.60	1.34%
Southern California Gas Company	11,815,628.42	0.31
Verizon California, Inc.	11,022,921.16	0.29
CPV Sentinel, LLC	7,449,223.76	0.20
Lennar Homes of California Inc.	3,986,149.40	0.11
Chelsea GCA Realty Partnership	3,389,020.58	0.09
Costco Wholesale Corporation	3,378,200.88	0.09
Tyler Mall Limited Partnership	3,195,011.96	0.09
Riverside Healthcare System	3,071,695.94	0.08
Roripaugh Valley Restoration	2,994,500.88	0.08
Garden of Champions	2,809,013.04	0.07
KB Home Coastal Inc.	2,738,223.28	0.07
Target Corporation	2,694,427.48	0.07
Castle & Cooke Corona Crossings	2,689,847.50	0.07
Wal-Mart Real Estate Business Trust	2,572,728.08	0.07
Ross Dress For Less Inc.	2,475,569.14	0.07
Lowe's HIW Inc.	2,413,831.90	0.06
Time Warner Cable Pacific West LLC	2,322,633.26	0.06
Blythe Energy, LLC	2,290,413.48	0.06
Tarpon Prop Ownership 2	2,253,343.82	0.06
Los Angeles SMSA Ltd. dba Verizon Wireless	2,197,264.16	0.06
AT&T Mobility LLC	2,045,901.64	0.05
Kaiser Foundation Health Plan Inc.	2,031,005.48	0.05
Temecula Towne Center Association	2,023,155.22	0.05
Walgreen Company	1,974,187.48	0.05
Total	**$ 136,376,374.54**	**3.63%**
Total Tax Charge for 2017-18	**$ 3,757,905,290.12**	

(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 Fiscal Year 2017-18 are shown below:

COUNTY OF RIVERSIDE
TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2017-18
BY ASSESSED VALUE

Assessee	*Assessed Value*
Eisenhower Memorial Hospital	$ 384,288,819
Costco Wholesale Corporation	267,330,106
Chelsea GCA Realty Partnership	236,115,094
Riverside Healthcare System	235,483,134
Wal-Mart Real Estate Business Trust	225,750,899
La Sierra University	224,734,072
Garden of Champions	224,524,752
Target Corporation	214,977,998
California Baptist University	212,376,907
Loma Linda University Medical Center	207,417,253
Subtotal	$ 2,432,999,034
All Others	$ 266,714,339,631
Total	$ 269,147,338,665(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 2017-18, the County retained approximately 18% of the total amount collected (and is budgeted to retain 18% in Fiscal Year 2018-19). 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 2006-07 through 2018-19.

COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 2008-09 THROUGH 2018-19

Fiscal Year	*Frozen Base Value*	*Full Cash Value Increments*[1]	*Total Tax Allocations*[2] [3]
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	58,479,843,303	688,683,052
2014-15	16,352,691,201	62,266,158,988	729,793,564
2015-16	16,352,657,201	65,770,021,482	772,866,457
2016-17	16,352,657,201	69,510,642,793	816,260,103
2017-18	16,352,657,201	73,397,406,955	866,983,038
2018-19	16,352,657,201	77,773,439,495[3]	912,753,199[4]

(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 and includes State assessed properties; has not been adjusted for negative project area increment.
(2) Actual cash revenues collected by the County and available to community redevelopment agencies, subject to certain negotiated agreements with taxing entities for a share of the property tax increment.
(3) Calculated based on estimated full cash value increment including State Assessed properties; has not been adjusted for negative project area increment.
(4) [Includes estimated general purpose and debt; excludes negative treatment redevelopment projects.]
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. Through June 2018, the County received approximately $7,599,978 million in residual funds for Fiscal Year 2017-18.

In Fiscal Years 2015-16 and 2016-17, the County received approximately $97,337,412 million and $102,159,372 million, respectively, in pass-through payments pursuant to agreements with various city redevelopment agencies. The County received approximately $107,150,638 in Fiscal Year 2017-18 and is projected to receive approximately $111 million in Fiscal Year 2018-19. 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.

As part of the County's county-wide financial assessment and efficiency analysis, the County has undertaken a review of the operation of sub-funds within its accounting system. The County establishes sub-funds to track revenues and expenditures for certain designated programs administered by the County. Revenues held in sub-funds are generally restricted for the related programs. As part of such review, the County is evaluating the timing of the revenue recognition associated with programs for which sub-funds have been established. Currently, the County classifies restricted revenues as deferred inflows and recognizes the revenues when the associated expenditures are incurred, which may not be in the year in which the restricted revenues are received. A change in the recognition of the restricted revenues to the year in which the revenues are received rather than in the year in which the related expenditures are incurred would result in the acceleration of certain revenues currently held in the sub-funds. Revenues are reported in accordance with Generally Accepted Accounting Principles, and therefore there is no need to alter the current accounting practice related to the recognition of revenue held in sub-funds.

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 2016-17 were audited by Brown Armstrong Accountancy Corporation. See APPENDIX B — "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017."

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, 2017, which are included in APPENDIX B — "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017.

The following table sets forth the County's Statement of Revenues, Expenditures and Change in Unreserved Funds Balances-General Fund for Fiscal Year 2012-13 through 2016-17.

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2012-13 THROUGH 2016-17
(In Thousands)

	2012-13	*2013-14*	*2014-15*	*2015-16*	*2016-17*
BEGINNING FUND BALANCE	$ 336,598	$ 357,249	$ 364,676[1]	$ 395,389	$ 371,510
REVENUES					
Taxes	246,144	256,746	267,708	279,945	292,674
Licenses, permits and franchises	16,442	16,588	17,829	19,100	18,400
Fines, forfeiture sand penalties	85,241	81,037	77,770	73,198	67,689
Use of money and property–Interest	1,676	4,629	4,372	6,728	7,893
Use of money and property– Rents and concessions	3,670	12,269	7,758	10,491	13,391
Government Aid–State	1,000,545	1,107,878	1,224,095	1,238,292	1,280,127
Government Aid–Federal	478,791	462,291	542,934	572,267	589,905
Governmental Aid-Other	81,169	83,169	94,217	97,888	104,043
Charges for current services	374,750	396,904	431,323	465,333	460,539
Other revenues	26,253	41,248	34,851	20,069	46,355
TOTAL REVENUES	$ 2,315,681	$ 2,462,759	$ 2,702,857	$ 2,783,311	$ 2,881,016
EXPENDITURES					
General government	$ 103,895	$ 106,045	$ 109,900	$ 113,779	$ 133,217
Public protection	1,043,017	1,116,621	1,189,466	1,256,765	1,317,038
Public ways and facilities	-	-	8	-	-
Health and sanitation	388,325	416,005	478,047	468,272	494,771
Public assistance	735,057	795,309	865,309	918,963	920,185
Education	564	586	590	669	643
Recreation and cultural	346	287	317	325	354
Capital Outlay	1,721	2,965	54,5292	11,829	64,2893
Debt service	19,576	15,475	12,877	20,755	12,558
TOTAL EXPENDITURES	$ 2,292,501	$ 2,453,293	$ 2,711,043	$ 2,791,357	$ 2,943,055
Excess (deficit) of revenues over (under) expenditures	23,180	9,466	(8,186)	(8,046)	(62,039)
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	$ 92,297	$ 95,017	$ 87,924	$ 114,185	$ 113,509
Transfer to other funds	(96,547)	(101,021)	(103,554)	(141,847)	(139,043)
Capital Leases	1,721	2,965	54,529[2]	11,829	64,289[3]
Total other Financing Sources (Uses)	$ (2,529)	$ (3,039)	$ 38,899	$ (15,833)	$ 38,760
NET CHANGE IN FUND BALANCES	$ 20,651	$ 6,427	$ 30,713	$ (23,879)	$ (23,279)
FUND BALANCE, END OF YEAR[1]	$ 357,249	$ 363,676	$ 395,389	$ 371,510	$ 348,231

(1) Restated.
(2) Increases in capital outlay and capital leases expenditures in Fiscal Year 2014-15 primarily reflects costs related to a capital lease for the County Sheriff and the construction of the Riverside County Law Building for the Riverside Economic Development Agency.
(3) Increases in capital outlay and capital lease expenditures in Fiscal Year 2016-17 primarily reflects costs related to a capital lease for a solar panel project.

Source: County Auditor-Controller.

The following table sets forth the County's General Fund balance sheets for Fiscal Years 2012-13 through 2016-17.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2013 THROUGH JUNE 30, 2017
(In Thousands)

	2012-13	*2013-14*	*2014-15*	*2015-16*	*2016-17*
ASSETS:					
Cash & Marketable Securities	$ 128,655	$ 129,305	$ 133,487	$ 135,255	$ 94,866
Taxes Receivable	10,931	9,849	9,243	9,772	9,182
Accounts Receivable	9,167	11,281	10,846	14,674	13,865
Interest Receivable	687	650	785	2,002	2,295
Advances to Other Funds	3,342	5,842	7,442	7,369	7,369
Due from Other Funds	9,071	11,157	11,854	9,355	9,489
Due from Other Governments	308,532	333,728	317,901	345,183	363,548
Inventories	2,059	1,682	1,638	2,006	1,981
Prepaid items	818	--	--	--	--
Restricted Assets	307,452	350,158	358,985	332,543	365,394
Total Assets	$ 780,714	$ 853,652	$ 852,181	$ 858,159	$ 867,989
LIABILITIES:					
Accounts Payable	$ 24,234	$ 61,288	$ 24,756	$ 28,234	$ 29,801
Salaries & Benefits Payable	57,519	68,156	79,116	99,724	104,327
Due To Other Funds	9,190	248	2,172	3,247	865
Due to Other Governments	23,377	20,395	32,894	51,497	65,120
Deferred Revenue	66,855	65,929	48,535	50,155	--
Deposits Payable	19	61	43	52	76
Advances from other funds	--	5,000	--	--	--
Advances from grantors and third parties	242,271	268,899	269,276	253,740	268,007
Total Liabilities	$ 423,465	$ 489,976	$ 456,792	$ 486,649	$ 468,196
FUND BALANCE:					
Nonspendable	$ 3,247	$ 2,045	$ 2,001	$ 2,369	$ 2,314
Restricted	101,440	117,595	122,967	99,639	95,130
Committed	42,183	32,820	39,422	40,310	21,907
Assigned	10,460	7,772	5,144	11,870	10,989
Unassigned	199,919	203,444	225,855	217,322	217,891
Fund Balance	$ 357,249	$ 363,676	$ 395,389	$ 371,510	$ 348,231
Total Liabilities and Fund Balance	$ 780,714	$ 853,652	$ 852,181	$ 858,159	$ 867,989

Source: County Auditor-Controller.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCES
AT JUNE 30, 2009 THROUGH JUNE 30, 2017
(In Thousands)

	Reserved	*Unreserved*				*Total*
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
2016	2,369	99,639	40,310	11,870	217,322	371,510
2017	2,314	95,130	21,907	10,989	217,891	348,231

(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

On July 2, 2018, the County issued its 2018 Tax and Revenue Anticipation Note (the "2018 TRAN") in the principal amount of $340,000,000 to provide funds to meet the County's Fiscal Year 2018-19 General Fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. The 2018 TRAN is due on June 28, 2019. The 2018 TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2018-19 Fiscal Year which are legally available for the payment thereof. Delinquent property taxes attributable to prior Fiscal Years are included in the Pledged Taxes pledged to the payment of the Notes and are not available to pay debt service on the 2018 TRAN. The County has issued tax and revenue anticipation notes annually for over twenty consecutive years with timely repayment.

On October 10, 2017, the County issued its 2017 Series A Teeter Obligation Notes (Tax-Exempt) (the "2017 Series A Notes") in the original aggregate principal amount of $78,735,000. The 2017 Series A Notes mature on October 25, 2018 and are payable from delinquent property taxes. Taxes attributable to Fiscal Year 2017-18, which are pledged to the payment of the 2018 TRAN, are not pledged to the Notes. It is expected that the 2017 Series A Notes will be paid from the proceeds of the Notes, together with delinquent taxes received through June 30, 2018. **[CONFIRM]**

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 September 1, 2018, the County had $812,755,306 in direct General Fund obligations and $266,365, 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 September 1, 2018.

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF SEPTEMBER 1, 2018)

2018-19 Assessed Valuation: $285,788,852,235 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable (1)	Debt 9/1/18	
Metropolitan Water District	6.314%	$ 3,826,284	
Community College Districts	1.220-100.	748,439,028	
Unified School Districts	1.246-100.	2,746,157,058	
Perris Union High School District	100.	103,008,693	
Elementary School Districts	100.	97,265,666	
City of Riverside	100.	9,085,000	
Eastern Municipal Water District Improvement Districts	100.	31,420,000	
Riverside County Flood Control, Zone 4 Benefit Assessment District	100.	14,690,000	
San Gorgonio Memorial Hospital District	100.	108,660,000	
Community Facilities Districts	50.225-100.	2,893,116,077	
Riverside County 1915 Act Bonds	100.	1,245,000	
City and Special District 1915 Act Bonds (Estimated)	100.	183,566,592	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$6,940,479,398	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	**100. %**	**$ 812,755,306**	(2)
Riverside County Pension Obligations	**100.**	**266,365,000**	
School Districts General Fund and Lease Tax Obligations	1.246-100.	477,988,500	
City of Corona General Fund Obligations	100.	39,015,184	
City of Moreno Valley General Fund Obligations	100.	67,187,000	
City of Indio General Fund and Judgment Obligation Bonds	100.	54,895,000	
City of Palm Springs Certificates of Participation and Pension Obligation Bonds	100.	127,910,685	
City of Riverside Certificates of Participation	100.	210,252,637	
City of Riverside Pension Obligation Bonds	100.	80,105,000	
Other City General Fund Obligations	100.	82,952,336	
Other Special District Certificates of Participation	100.	11,219,642	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,230,646,290	
Less: **Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)**		**3,353,303**	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,227,292,987	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$2,274,153,326	
GROSS COMBINED TOTAL DEBT		$11,445,279,014	
	(3)		
NET COMBINED TOTAL DEBT		$11,441,925,711	

(1) 2017-18 ratios
(2) Excludes issue to be sold.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2018-19 Assessed Valuation:
- Overlapping Tax and Assessment Debt....2.43%
- **Combined Gross Direct Debt ($1,079,120,306)....0.38%**
- **Combined Net Direct Debt ($1,075,767,003)....0.38%**
- Gross Combined Total Debt....4.00%
- Net Combined Total Debt....4.00%

Ratios to Successor Agency Redevelopment Incremental Valuation ($77,773,439,495):
- Total Overlapping Tax Increment Debt....2.92%

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

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; the lease obligations are payable from the General Fund. Upon expiration of the lease, title to the facilities vests in the County.

As of September 1, 2018, the total principal amount of the County's current outstanding lease obligations is $811,732,907. The County's annual lease obligation, including interest, is approximately $90,828,327 and the maximum annual lease payment is approximately $128,628,965.

The table on the following page sets forth the County's outstanding publicly offered lease obligations and the respective annual lease requirements as of September 1, 2018. In addition, as discussed below under "—Facilities Lease Agreements," the County has other substantial lease obligations payable from the General Fund.

COUNTY OF RIVERSIDE
SUMMARY OF PUBLICY OFFERED LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(AS OF SEPTEMBER 1, 2018)

	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	$ 30,203,603	
1997 Series C	2019	3,265,000	3,265,000	
2012 Series A and B[1]	2019	90,530,000	41,505,000	$ 19,525,747[1]
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	2,200,000	866,500[2]
County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding)[3]	2021	36,100,000	11,355,000	2,551,663
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	3,193,304	
Series 2002	2020	925,000	16,000	1,836,363[4]
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project) 2008 Series A[5]	2032	78,895,000	68,245,000	6,440,705
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects)[6]	2040	45,685,000	44,905,000	13,778,438
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	1,600,000	671,242
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project)[7]	2031	33,360,000	25,800,000	2,506,188
County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds)[8]	2033	17,640,000	13,195,000	1,382,625
County of Riverside Leasehold Revenue Bonds (2013 Series A Public Defender/Probation Bldg. and Riverside County Technology Solution Center Projects)	2043	66,015,000	61,665,000	4,270,613
County of Riverside Lease Revenue Bonds (Courts Facilities Project), Series 2014 A & 2014 B (Taxable)[9]	2033	18,495,000	11,055,000	2,344,161
County of Riverside Public Financing Authority (2015 A Lease Revenue Bonds)	2046	325,000,000	319,655,000	20,853,850
County of Riverside Infrastructure Financing Authority (2015 A Lease Revenue Refunding Bonds)[10]	2037	72,825,000	67,290,000	5,879,781
County of Riverside Infrastructure Financing Authority (2016 A & 2016 A-T Lease Revenue Refunding Bonds)[11]	2031	39,985,000	37,930,000	3,484,913
County of Riverside Infrastructure Financing Authority (2017 A Lease Revenue Refunding Bonds)[12]	2044	46,970,000	46,970,000	3,016,838
County of Riverside Infrastructure Financing Authority (2017 B & 2017 C Lease Revenue Bonds)[13]	2047	22,205,000	21,685,000	1,418,700
TOTAL		$ 978,235,073	$ 811,732,907	$ 90,828,327

(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 were used to pay for improvements of the Medical Center Campus.

(2) Annual base rental estimated at assumed interest rate of 9.00%. The average interest rate for the twelve-month period ending July 24, 2018 was approximately 1.52%.

(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.

(11) The 2016 A & A-T Infrastructure Financing Authority Lease Revenue Refunding Bonds refunded the Riverside County Palm Desert Financing Authority Lease Revenue Bonds 2008 Series A.

(12) The County of Riverside Infrastructure Financing Authority (2017 A Lease Revenue Refunding Bonds) refunded the Riverside Community Properties Development, Inc. Lease Revenue Bonds (2013 Riverside County Law Building Project).

(13) The County of Riverside Infrastructure Financing Authority (2017 B Lease Revenue Bonds) refunded the County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A.

Source: County Executive Office.

Lease Lines of Credits

On December 15, 2015, 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. The initial line of credit is $20 million with an option for an additional $20 million after the initial funds are exhausted. The County started using the initial line of credit on December 16, 2015, and exhausted the funds on September 26, 2017. The County started using the additional line of credit on September 26, 2017 and there is an available balance of approximately $6,015,700 of unused credit as of August 1, 2018. The County expects to pay for existing capital equipment purchase commitments of approximately $5.1 million from the remaining balance of the additional line of credit.

Facilities Lease Agreements

The County and Corona Medical Arts Plaza, LLC entered into a Lease dated as of September 13, 2016, as supplemented by the First Amendment to Lease (as supplemented, the "Corona Clinic Lease"), dated as of June 20, 2017, in order to fund the construction, operation and maintenance of an approximately 45,000 square-foot medical clinic (the "Corona Care Clinic") for RUHS located in the City of Corona. See "Riverside University Health System – Medical Center." Presently, the lease obligation is estimated at $42,573,904. Pursuant to the terms of the Corona Clinic Lease, rental payments commenced upon substantial completion of construction and occupancy of the Corona Care Clinic (in the first quarter of 2018), and the County will continue to pay rental payments for approximately 15 years thereafter, subject to certain early prepayment and purchase option provisions. Currently, the initial year's lease payment (Fiscal Year 2018-19) is projected to be approximately $2.6 million, escalating at 2.75% annually thereafter. While RUHS management presently expects to receive federal funding that will cover the Corona Clinic Lease payments, the County may be required to advance monies from its General Fund. Ultimately, as the Lessee and obligor under the Corona Clinic Lease, the County is responsible for lease payments thereunder.

On July 11, 2017, the County and Jurupa Valley Medical Partners, LLC entered into a Lease (the "Jurupa Valley Clinic Lease") in order to fund the proposed construction, operation and maintenance of an approximately 40,000 square-foot medical clinic for RUHS located in the City of Jurupa Valley (the "Jurupa Valley Care Clinic"). Presently, the lease obligation is estimated at $47,575,096. Pursuant to the terms of the Jurupa Valley Clinic Lease, it is anticipated that the County will commence rental payments upon substantial completion of construction and occupancy of the Jurupa Valley Care Clinic, currently scheduled for late 2018, and that the County will continue to pay rental payments for approximately 20 years thereafter, subject to certain early prepayment and purchase option provisions. Currently, the initial year's lease payment (Fiscal Year 2019-20) is projected to be approximately $2.4 million, escalating at 2% annually thereafter. While RUHS management presently expects to receive federal funding that will cover the Jurupa Valley Clinic Lease payments, the County may be required to advance monies from its General Fund. Ultimately, as the Lessee and obligor under the Jurupa Valley Clinic Lease, the County is responsible for lease payments thereunder.

On April 18, 2017, the County entered into a Facilities Lease Agreement with TC Riverside MOB, LLC to fund the proposed construction, operation, and maintenance of an approximately 200,000 square foot surgery center and medical office building complex (the "Medical Office Building") next to the RUHS Medical Center. Presently, the lease obligation is estimated at $438,469,834. The final project budget and final rent schedule were approved by the County on November 14, 2017. It is anticipated that the County will commence rental payments upon substantial completion of construction and occupancy of the Medical Office Building, currently anticipated to be April 2020, and that the County will continue to pay rental payments for approximately 25 years thereafter, subject to certain early prepayment and purchase option provisions. Currently, the initial year's lease payment (Fiscal Year 2020-21) is projected to be approximately $13.3 million, escalating at 3% annually thereafter. While RUHS management presently expects that the Medical Office Building will attract a more favorable payor mix that will enable RUHS to make Facilities Lease Agreement payments from its operating revenues, the County may be required to advance monies from its

General Fund. Ultimately, as the Tenant and obligor under the Facilities Lease Agreement, the County is responsible for Facilities Lease Agreement payments.

In the Mid-Year Budget Report, RUHS projected an annualized expenditure overage of approximately $15 million, but has subsequently been able to balance its budget with additional operating revenue sources. RUHS management believes the Medical Office Building project will, upon the commencement of operations in early-2020, result in a more favorable payor mix, with an attendant improvement in RUHS' financial results and a reduced need for General Fund support. However, based on its current operating performance, absent a material improvement in its finances, it is unlikely that RUHS will be able to afford the Facilities Lease Agreement payments due on the Medical Office Building without continued, significant General Fund support.

Capital Lease Purchase 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 $16,000,000 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 $3,000,000 in lease financing for additional equipment. As of May 1, 2018, approximately $5,000,000 principal amount remained outstanding under the original lease and $1,500,000 principal amount remained outstanding under the first amendment to the lease, which are scheduled to be repaid in full by 2019 and 2020, respectively. 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 $6,368,130 and which is scheduled to be repaid in full by 2022. As of May 1, 2018, approximately $3,663,190 principal amount of this Master Equipment Lease Purchase Agreement remained outstanding.

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 March 31, 2017, the financing was restructured to a principal balance of $57,977,325. As of August 1, 2018, approximately $55,294,000 principal amount remained outstanding, which is scheduled to be repaid in full by August 30, 2035.

[On July 31, 2018, the County entered into a multi-year lease line of credit with Banc of America Public Capital Corporation, in the total amount of $50 million for capital purchases. As approved by the Board of Supervisors, there will be a $25 million initial line of credit with the option of an additional $25 million. As of _______, 2018, the County has drawn $__________ on this lease line of credit.]

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, "A+" by Standard & Poor's and "AA" by Fitch as of [April 2018]. 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 is negative, the County would be liable to the Counterparty for a termination payment equal to the swap's fair market value. As of July 31, 2018, the swap agreement had a negative fair market value of $16,319,708.07 (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 [March 2018], 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.

In July 2017, the United Kingdom's Financial Conduct Authority announced that it may discontinue the use of LIBOR by 2021. The County is unable to predict what benchmark rate will replace LIBOR for purposes of the swap agreement or the effect such replacement will have on the value of the swap agreement.

Employees

The following table sets forth the number of County employees for calendar years 2008 through 2018.

COUNTY OF RIVERSIDE
REGULAR EMPLOYEES
2007 THROUGH 2018

Year	***Regular Employees***[1]
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	19,404
2017	19,409
2018[2]	[19,366]

(1) As of December 31st of each year. Excludes temporary and per diem employees.
(2) As of April 11, 2018.
Source: County Human Resources Department.

Labor Relations

County employees comprise 19 bargaining units, plus another 9 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 67% 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 which contain provisions for these personnel related matters.

The County's non-management law enforcement employees, are represented by the Riverside Sheriffs' Association ("RSA"). The RSA represents three separate units: Law Enforcement Unit "RSA LEU," Corrections Unit "RSA Corrections," and Public Safety Unit "RSA PSU." 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 2012-13, the County entered into collective bargaining agreements with most of its bargaining units. Most of the agreements covered 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 ("EPMC"). The elimination of the County's retirement obligation to pay employee's required member contributions produced 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 SEIU, LIUNA and RSA expired in 2016. The County's collective bargaining agreements with RCDDAA and LEMU expired in 2017. The County is currently in negotiations with LEMU, RSA PSU and RCDDAA for new labor contracts and will continue operating under the terms of the expired contracts until new contracts are in place or terms and conditions are imposed upon exhausting procedures required by law. Ongoing labor contract negotiations have been challenging, as a tentative agreement reached with RSA LEU/Corrections was subsequently rejected by the RSA LEU/Corrections membership, and SEIU implemented a 2-day strike in early September 2017 (in which the County obtained an ex parte court order to prohibit certain critical employees from striking). The primary negotiation issues relate to certain merit increases sought by such labor organizations. Other than the 2-day strike by SEIU, there has been no major County employee work stoppage during the past 20 years. On October 17, 2017, following the rejection by the RSA LEU/Corrections membership of the tentative agreement that had been reached with the County, the Board of Supervisors voted to impose the terms of the County's last, best and final offer to RSA LEU/Corrections pursuant to Government Code Section 3505.7, which will govern the RSA LEU/Corrections terms and conditions of employment in place of a memorandum of understanding. The County is at fact finding with both SEIU and LIUNA, and the parties are awaiting the fact finders reports and the Board's direction of the reports.

COUNTY OF RIVERSIDE
LABOR ORGANIZATIONS[1]

Bargaining Units or Employee Group	*Number of Employees[2]*	*Expiration Date of Contract*
Management, Confidential, and Other Unrepresented	1,415	N/A
Law Enforcement Management Unit (LEMU)	443	June 30, 2017[3]
Riverside County Deputy District Attorneys' Association (RCDDAA)	381	June 30, 2017[3]
Riverside Sheriffs' Association (RSA) LEU/Corrections	2,260	June 30, 2016[4]
Riverside Sheriffs' Association Public Safety Unit (RSA)	654	June 30, 2016[3]
Service Employees International Union (SEIU)	6,984	November 30, 2016[3]
Service Employees International Union (SEIU) Per Diem Unit	373	November 30, 2019
Laborers' International Union of North America (LIUNA)	7,165	June 30, 2016[3]
In-Home Supportive Services (IHSS)	N/A[5]	June 30, 2015[3]
Total	19,675	

(1) Includes all County districts.
(2) As of April 11, 2018. Excludes temporary, per diem and seasonal employees.
(3) The County is currently in negotiations with such labor organization for a new labor contract and will continue operating under the terms of the expired contract until a new contract is in place or the terms of the County's last, best and final offer are imposed.
(4) As described herein, the Board of Supervisors voted to impose the terms of the County's last, best and final offer to the RSA pursuant to Government Code Section 3505.7 on October 17, 2017. Such terms will govern the County's relations with the RSA in place of a memorandum of understanding.
(5) The IHSS Public Authority is only the employer of record within the meaning of Government Code Section 3500 et seq. (Meyers-Milias-Brown Act) which allows the home care workers to organize and engage in collective bargaining in an effort to improve wages and obtain benefits. The consumer of the services has the right to hire, train, supervise and terminate the home care workers who assist them.
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 tier levels of benefits.

COUNTY OF RIVERSIDE
EMPLOYEES PER RETIREMENT TIER[1]
(As of August 1, 2018)

Tier Level	*Number of Employees in Tier Level*
Tier 1	11,724
Tier 2	722
Tier 3	6,285
Total	18,731

(1) Excludes districts, 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, 2017, which are included in APPENDIX B — "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017."

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. As part of such activities, PARC annually receives an independent, third party report on the County's pension cost projections from Bartel Associates, LLC in order to ensure that the County has adequate information concerning its long-term pension obligations. In addition to PARC's advisory role with respect to the Plan, PARC has been formally tasked with reviewing the County's other post-employment benefit ("OPEB") plans and advising the Board of Supervisors with respect thereto.

The Board of Supervisors approved a second tier ("Tier II") level of retirement benefits for new Miscellaneous and Safety employees and 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 years of service, age, and the average monthly eligible wages earned during the highest three consecutive years of employment. The Tier II retirement benefit factor 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 retirement benefit factor ranges 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 Fiscal Year 2015-16 rates. Among other things, PEPRA created 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 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 July 2017 covered PERS' Fiscal Year 2015-16). 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, 2016, which was prepared in July 2017, is effective for the County's Fiscal Year 2018-19). 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. In prior years PERS converted past service cost to a percent of payroll and expressed the total required employer contribution as a single rate. Going forward the past service cost will no longer be converted to a percent of payroll and this cost will be invoiced to the employer as a monthly dollar contribution amount with the option to prepay the annual amount at the beginning of the fiscal year. See the caption "—Historical Funding Status." The normal cost will continue to be expressed as a percentage of active payroll with employer and employee contributions payable as part of the payroll reporting process. 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. GASB 68 became effective for fiscal years beginning after June 15, 2014. Prior to implementing GASB 68, employers participating in a cost-sharing multiple-employer defined benefit pension plan (cost-sharing plan) administered by PERS 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 PERS used information from the PERS 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, deferred outflows of resources, deferred inflows of resources 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 with experience gains and losses 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. For complete additional information, 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 PERS Board of Administration adopted new demographic assumptions reflecting the (i) expected longer life spans of public agency employees and related increases in costs for the PERS system, and (ii) trend of higher rates of retirement for certain public agency employee classes, including police officers and fire fighters. The new actuarial assumptions were used to set the Fiscal Year 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions was calculated in the 2014 actuarial valuation and amortized over a 20-year period including a 5-year ramp-up and a 5-year ramp-down.

On November 18, 2015, the PERS Board adopted a Funding Risk Mitigation Policy. The Policy seeks to reduce PERS funding risk over time. A mechanism will be established to reduce the discount rate, or assumed rate of return, by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate by at least four percentage points. The policy will incrementally lower the discount rate in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers.

On December 21, 2016, the PERS Board approved lowering the PERS discount rate assumption, the long-term rate of return, from 7.50% to 7.00% over the next three years. Lowering the discount rate will increase both the normal costs and the accrued liabilities. Starting in Fiscal Year 2018-19, such increases will result in higher required employer contributions. The reduction in the discount rate will result in additional County contributions of approximately $40 million in Fiscal Year 2018-19 and totaling approximately $210 million when fully phased in. The benefits of reducing the discount rate strengthen long-term sustainability, reduce negative cash flows, reduce the long-term probability of funded ratios falling below undesirable levels, improve likelihood of PERS investments earning the assumed rate of return, and reduce the risk of contribution increases in the future from volatile investment markets. Due to the adopted changes in the discount rate for the next two valuations in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for seven years from Fiscal Year 2018-19 through Fiscal Year 2024-25.

On February 14, 2018, the PERS Board approved modifying the PERS amortization policy for investment gains/losses from 30 years to 20 years and eliminating the 5-year ramp-up/ramp-down policy for all gains/losses except for the ramp-up policy for investment gains/losses. Such policy changes will be reflected in the June 30, 2019 valuation and will be implemented starting with Fiscal Year 2021-22 contributions. Such policy applies only to prospective accumulation of amortization and will not affect current accrued unfunded liabilities. Shortening the amortization period will increase employer contributions and help pay down the pension fund's unfunded liability faster, which may result in interest cost savings.

Contribution Rates. In addition to required County contributions, members are also obligated to make certain payments. For the Miscellaneous Plan, Tier I members' contribution rates are fixed at 8% of salaries. The Tier II and Tier III member contribution rates for the Miscellaneous Plan are 7% and 6.5%, respectively. For the Safety Plan, the Tier I and Tier II member contribution rate is 9%, and the Tier III member contribution rate is 11.25%. Member 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, 2016, the PERS actuary recommended an employer normal cost contribution rate of 10.458% ($124.6 million) be implemented as the required rate for Fiscal Year 2018-19, and an employer unfunded liability payment of approximately $100.3 million, which the County anticipates will result in a contribution to PERS of approximately $224.9 million for that fiscal year. In addition, the County will pay PERS for the Miscellaneous Plan approximately $280,474 in County Offsets of Employee Contributions for Fiscal Year 2018-19, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2018-19 of approximately $225.2 million. In the actuarial valuation for the Safety Plan as of June 30, 2016, the PERS actuary recommended an employer normal cost contribution rate of 18.464% ($68.4 million) be implemented as the required rate for Fiscal Year 2018-19, and an employer unfunded liability payment of approximately $48.7 million, which the County anticipates will result in a contribution to PERS of approximately $117.1 million for that fiscal year. As of August 2016, the County no longer pays County Offsets of Employee Contributions to PERS for the Safety Plans. The County's total PERS contribution (Miscellaneous Plan and Safety Plan) for Fiscal Year 2018-19 is projected to be approximately $342 million.

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 Associates, LLC, the 2005 Pension Obligation Bonds have resulted in a net gain to the County of approximately $72 million as of February 15, 2017. 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 unfunded liability. In 2016, PARC recommended to transfer the excess liability management funds to the Section 115 Supplemental Pension Trust. In the current year, the excess is recommended to be sent to the Section 115 Supplemental Pension Trust and in future years to be considered an administrative process.

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, 2011 through June 30, 2016 and the total employer contributions of the County for Fiscal Year 2013-14 through Fiscal Year 2018-19. 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]
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[3]	509,464,128	77.7	2015-16	80,459,918	698,338
2014	517,389,969	80.2	2016-17	90,515,002[4]	31,077[4]
2015	705,377,373	75.2	2017-18	97,043,553[4]	0
2016	958,272,557	69.2	2018-19	117,148,524[4]	0

(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 outstanding pension obligation bonds, or otherwise.

(2) Reductions from prior years are due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12. The increase for Fiscal Year 2015-16 contributions is due to increased payroll of the plan's membership. Beginning Fiscal Year 2014-15, the County stopped paying towards the employee contribution rate to PERS for the Safety Plans for Tier I and Tier II employees. As of August 2016, the County also stopped paying towards the employee contribution rate to PERS for Safety Plans for Tier III employees.

(3) Beginning with the June 30, 2013 valuation, Actuarial Value of Assets equals Market Value of Assets per PERS Direct Rate Smoothing Policy.

(4) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of Fiscal Years 2016-17 through 2018-19.

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016 (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]
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[3]	1,034,364,773	79.3	2015-16	151,557,834	292,900
2014	973,226,141	82.8	2016-17	178,554,572[4]	290,401[4]
2015	1,399,399,333	77.3	2017-18	183,911,209[4]	315,000[4]
2016	2,050,567,259	70.1	2018-19	224,862,038[4]	280,475[4]

(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) Beginning with the June 30, 2013 valuation, Actuarial Value of Assets equals Market Value of Assets per PERS Direct Rate Smoothing Policy.

(4) Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of Fiscal Year 2018-19.

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

A six-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*
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
2015	2,846,014,858	2,140,637,485	705,377,373	75.2	319,499,129	220.8	2,140,637,485	75.2[2]
2016	3,110,254,402	2,151,981,845	958,272,557	69.2	338,809,025	282.8	2,151,981,845	69.2

(1) Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per PERS Direct Rate Smoothing Policy.
(2) As reported by PERS, decline due to a preliminary 0.61% net return on investments for the 12-month period that ended June 30, 2016.
Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016.

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*
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
2015	6,174,498,346	4,775,099,013	1,399,399,333	77.3	1,000,223,148	139.9	4,775,099,013	77.3[2]
2016	6,850,143,825	4,799,576,566	2,050,567,259	70.1	1,090,295,411	188.1	4,799,576,566	70.1

(1) Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per PERS Direct Rate Smoothing Policy.
(2) As reported by PERS, decline due to a preliminary 0.61% net return on investments for the 12-month period that ended June 30, 2016.
Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from Fiscal Year 2013-14 through Fiscal Year 2018-19 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Valuation Date June 30,	*Affects Contribution Rate for Fiscal Year:*	*Safety Plan*	*Employer Payment of Unfunded Liability*	*Miscellaneous Plan*	*Employer Payment of Unfunded Liability*
2011	2013-14	23.368%	N/A	15.001%	N/A
2012	2014-15	21.899	N/A	14.527	N/A
2013	2015-16	23.585	N/A	15.429	N/A
2014	2016-17	26.570	N/A	16.476	N/A
2015	2017-18	17.912*	$35,778,888	10.192*	$ 73,598,564
2016	2018-19	18.464	48,790,038	10.458	100,265,926

* Beginning in Fiscal Year 2017-18, PERS will collect employer contributions toward the plan's unfunded liability as dollar amounts rather than contribution rate, which was the prior method of collection. The County pays at the beginning of each fiscal year for its unfunded liability payment. The plan's normal cost contribution will continue to be collected as a percentage of payroll. See the caption "— The County's PERS Contract."

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2016.

Projected County Contributions. As described above under "— General," in 2003 the County established the PARC, which annually prepares a report for the Board. PARC's 2018 Annual Report projects the following contribution to PERS (including both normal cost and UAAL amortization):

PROJECTED COUNTY CONTRIBUTIONS
(Miscellaneous Plan)(1)

Fiscal Year	*County Rate*	*County Payment*
2019-20	23.5%	$288,377,216
2020-21	26.1	329,891,264
2021-22	27.9	363,221,657
2022-23	29.4	394,232,194
2023-24	30.1	415,727,235

(1) [Projections are based on data from a report prepared by Bartel Associates, LLC dated December 13, 2017 and include debt service on the County's pension obligation bonds.]

Source: PARC 2018 Annual Report.

PROJECTED COUNTY CONTRIBUTIONS
(Safety Plan)(1)

Fiscal Year	*County Rate*	*County Payment*
2019-20	37.6%	$143,381,036
2020-21	41.6	163,393,368
2021-22	44.2	178,813,617
2022-23	46.3	192,928,565
2023-24	47.5	203,866,740

(1) [Projections are based on data from a report prepared by Bartel Associates, LLC dated December 13, 2017 and include debt service on the County's pension obligation bonds.]

Source: PARC 2018 Annual Report.

The County's projections with respect to the County contributions 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.

The County's projected contribution rates are affected by the market rate of return in the PERS Plans and other changes that may be adopted by PERS from time to time, 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. The County has set a goal of ensuring that the Plan is at least 80% funded. 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, 2017, the County's current required contribution level is 1.66% to maintain a funded ratio of 80%. As of June 30, 2017, the plan was funded at 82.8%. The County's contribution to the Plan was $606,694 for Fiscal Year 2015-16, $667,952 for Fiscal Year 2016-17 and is estimated to be approximately $1.34 million for Fiscal Year 2017-18. The actuarial valuation projects the Plan to be approximately 82.8% funded as of June 30, 2017. The Plan's unfunded liabilities as of June 30, 2017 were approximately $4.4 million. Overall, the plan's unfunded actuarial accrued liability (UAAL) decreased from the prior valuation due to the net result of the following: 1) assets were higher than expected due to favorable investment return on plan assets (13.12% actual compared to 6.0% assumed); 2) demographic experience was different than expected, which resulted in a liability loss; 3) updates to the assumed mortality improvement scale resulted in a reduction in liabilities; and 4) higher discount rate resulted in a GASB liability gain.

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, or age 52 if they became a PERS member on or after January 1, 2013, at retirement qualify to receive the post-retirement benefits.

The County obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated as of July 1, 2017 (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 6.73%, the present value of benefits was estimated to be $59.1 million, the accrued actuarial liability was estimated to be $51.9 million and the annual normal cost was $0.88 million. According to the Health Benefits Valuation, the County's funding contribution for Fiscal Year 2018-19 will be $2.1 million. The Health Benefits Valuation further provides that the July 1, 2017 unfunded actuarial accrued liability is higher than that expected under the prior year's valuation due to, among other things, actuarial losses resulting from a reduction in the investment rate of return. According to the Health Benefits Valuation, as of July 1, 2017, the County's OPEB funded ratio was 70.8%.

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.

In June 2015, GASB released Statement No. 75, which affects accounting for other post-employment benefit plans and is required to be adopted by the fiscal year ending June 30, 2018. In order to prepare and effectively manage plans, the changes include moving unfunded liabilities from the footnotes to the balance sheet, the potential for more volatile periodic expense and a change in the discount rate basis.

Riverside University Health System - Medical Center

Riverside University Health System—Medical Center ("RUHS") is an approximately 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 is serviced by nearly 3,500 healthcare professionals and support staff, and provides training to 1,000 medical residents and students and 2,500 nursing students annually. 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, and provides support to numerous hospital-based clinics. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services, including hyperbaric oxygen treatments, and one of only ten emergency psychiatric hospitals in the State.

The County has the legal responsibility to provide health care to all individuals, regardless of their ability to pay or insurance status, and provides these services by operating RUHS. RUHS provides services to patients covered by various reimbursement programs, principally Medi-Cal and Medicare, and some commercial insurance, while also providing services to the uninsured.

In response to several years of declining profitability and losses, in 2013, the County's Board of Supervisors retained Huron Consulting Group ("Huron") to provide consulting services designed to improve efficiencies and increase revenue at RUHS. The engagement is complete and suggested changes were implemented. Toward the end of the Huron engagement, the County completed restructuring efforts at RUHS through permanent hires for the positions of the Chief Executive Officer and Chief Operating Officer of RUHS. Additionally, in Fiscal Year 2017-18, RUHS hired a new Chief Financial Officer. The new leadership team developed and deployed a strategy to lock in recent fiscal improvement, improve operational efficiency and prepare for anticipated challenges. In each of the two years following the completion of Huron's engagement, RUHS experienced net surpluses ($59.5 million and $43.6 million in Fiscal Years 2014-15 and Fiscal Year 2015-16, respectively), including an improvement in excess of $120 million in the first year compared to the prior year (RUHS experienced a loss of $62.3 million in Fiscal Year 2013-14). In the Mid-Year Budget Report, RUHS projected an annualized expenditure overage of approximately $15 million, but has subsequently been able to balance its budget with additional operating revenue sources. RUHS expects to end Fiscal Year 2017-18 with an operating gain of approximately $8.7 million. The Executive Office and RUHS continue to closely monitor the situation.

The original Huron engagement cost $26 million and was paid for with proceeds of a temporary transfer from the County's Waste Management Enterprise Fund. RUHS is required to repay the remaining balance due on the original $26 million cost, with interest calculated at the County's pool investment fund rate, in five annual installments which are to be paid over the five year period beginning June 2023 and ending in June 2027, reflecting a deferment for cash flow purposes of the original payment schedule that began in 2016 and ended in 2022. If RUHS is unable to repay this loan, any unpaid amounts will be transferred to the County's Waste Management Enterprise Fund from unencumbered amounts in the County's General Fund. Prior to the deferment of remaining loan payments until June 2023, RUHS made scheduled payments on the loan in the amount of $3,693,711 in both Fiscal Years 2015-16 and 2016-17.

RUHS relies on a significant amount of governmental Medicaid waiver revenue including, Disproportionate Share Hospitals (DSH) funding, Delivery System Reform Incentive Payments (DSRIP) and Realignment. In December 2015, several changes were adopted with respect to the Medicaid waiver to shift the focus of care away from hospital-based and inpatient care and instead towards outpatient, primary, and preventive care. RUHS organized to ensure a pay-for-performance transformation that accomplishes the goal of continuing support, maximizing federal funds and improving the system of care for the County. Fiscal Year 2017-18 represented the second year of operations that the renewed focus was implemented, and while efforts to date have been positive and are expected to yield revenues in excess of budget by 10% for the current fiscal year, the County cannot predict the long-term impact of the funding changes.

In Fiscal Year 2017-18, RUHS commenced construction for new medical official buildings to provide a full array of primary care and comprehensive ancillary services. The medical office buildings are schedule to open in the April 2020. RUHS is partnering with a private developer to lease the buildings over twenty-five years with an estimated annual lease payment of $13.3 million. It is expected that, at the end of the lease, ownership of the buildings will transfer to RUHS. Additional expenses for equipping and furnishing the medical office building are estimated at $40 million, of which $10 million is expected to be donated. The County is looking into various financing options to cover the remainder of such expenses.

For Fiscal Year 2017-18, 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. Additionally, the County committed $5.9 million of General Fund moneys in Fiscal Year 2017-18 toward capital investment at RUHS and to partially compensate RUHS for the cost of providing care to beneficiaries enrolled in the County's medical insurance program, inpatient mental health services and hospital-based medical care for inmates. For Fiscal Year 2018-19, consistent with its past practice, the County will contribute 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, however, the County does not expect to contribute funds to RUHS from its General Fund, as it has in prior years.

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 $3.5 million for each occurrence with a $2 million corridor and the balance (to $25 million for each occurrence) is insured through CSAC Excess Insurance Authority ("CSAC EIA"), a joint powers authority and insurance risk sharing pool consisting of 55 counties in the State, as well as other non-county public entities. 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 EIA, 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 EIA. Long-term disability income claims are fully insured by an independent carrier.

The CSA EIA property insurance program provides insurance coverage for all-risk subject to a $50,000 per occurrence deductible; flood coverage is subject to a $100,000 per occurrence deductible within a 100-year flood zone and a $50,000 deductible outside of a 100-year flood zone. In order to diversify risk, property exposure amongst all members within the program are categorized into "Towers" based on geography and building type. The County participates in four Towers, each of which provides $300 million in limits. A $300 million excess all risk and flood rooftop layer sits above the Towers and above the all-risk and flood rooftop layer there is a $200 million excess $600,000,000 all-risk only layer. With respect to earthquake coverage, each of the four Towers in which the County participates has a sub-limit of $100 million, with a $440 million excess rooftop layer shared by the four Towers that is triggered by the depletion of the initial limit for one or more of the Towers in a policy year. The County has $840 million in shared earthquake coverage that covers scheduled locations and buildings equal to or greater than $1 million in value and lesser valued locations where such coverage is required by contract. Earthquake coverage is subject to a deductible equal to 5% of total value per unit per occurrence, subject to a $100,000 minimum. Boiler and Machinery provides up to $100 million in limits, subject to a $5,000 deductible per event. Property insurance limits in each Tower are shared with other counties within that Tower 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, 2018 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, 2018 was approximately $177.5 million.

Litigation

No litigation is pending, or, to the best knowledge of the County, threatened, concerning the validity of the Notes or the Resolution, or contesting the County's ability to appropriate or make the repayment of the Notes, or materially impacting Pledged Revenues, and an opinion of the Office of County Counsel to that effect will be furnished to the Underwriters at the time of the execution and delivery of the Notes. 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 2017-18, the total possessory interest tax for Agua Caliente's non-tribal member leases is estimated to be approximately $33,200,000, of which $3,770,000 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 $16 million, plus accrued interest. The County denied the allegations of the complaint and defended the action. Finding that the County's imposition of the possessory interest tax was lawful, the U.S. District Court entered judgment in favor of the County on June 15, 2017. Agua Caliente filed an appeal to the 9th Circuit Court of Appeal. The matter has been fully briefed. A hearing for oral argument has not yet been scheduled, however, it is anticipated that the hearing will be scheduled for late summer or early fall of 2018.

Approximately 410 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 $10,895,104, of which the County's share is approximately $1,961,119 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. On November 8, 2017 a decision was issued denying plaintiff's motion for class certification. The plaintiff filed an appeal to the 9th Circuit Court of Appeals, however plaintiff and the County have agreed to the framework of a settlement of $49,999 to plaintiff and plaintiff's counsel to make a motion of fees. A similar case in Orange County was recently settled for $50,000 to plaintiff and $325,000 in attorney's fees. The fee award in the County's case is expected to be similar.